

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

THIS DOCUMENT CONTAINS A PROPOSAL WHICH, IF IMPLEMENTED, WILL RESULT IN THE CANCELLATION OF THE LISTING OF ORDINARY SHARES ON THE OFFICIAL LIST OF THE UKLA AND OF TRADING IN ORDINARY SHARES ON THE LONDON STOCK EXCHANGE'S MARKET FOR LISTED SECURITIES.

If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are taking advice in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

If you have sold or otherwise transferred all your NSB Shares, please forward this document, together with the accompanying Forms of Proxy, at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such jurisdiction. If you have sold or transferred only part of your holding of NSB Shares, you should retain these documents and should contact the bank, stockbroker or other agent through whom the sale or transfer was effected.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Recommended Proposals for the Acquisition
of
NSB Retail Systems PLC
by
Epicor Software Corporation
(acting through its wholly owned subsidiary,
Epicor Retail Solutions, Inc.)
to be effected by means of a
Scheme of Arrangement
under section 425 of the Companies Act 1985

Close Brothers, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for NSB and no one else in connection with the Proposals and will not be responsible to anyone other than NSB for providing the protections afforded to clients of Close Brothers or for providing advice in relation to the Proposals or the content of this document.

UBS Investment Bank is acting exclusively for Epicor and no one else in connection with the Proposals and will not be responsible to anyone other than Epicor for providing the protections afforded to clients of UBS Investment Bank or for providing advice in relation to the Proposals or the content of this document.

Your attention is drawn to the letter from the Chairman of NSB in Part I of this document which contains the unanimous recommendation of the NSB Directors that you vote in favour of the Scheme at the Court Meeting and the Special Resolution at the General Meeting. Part II of this document contains a letter from Close Brothers explaining the Proposals and constitutes an explanatory statement in compliance with section 426 of the Companies Act.

Notices convening the Court Meeting and the General Meeting, both of which will be held at the offices of CMS Cameron McKenna LLP, Mitre House, 160 Aldersgate Street, London EC1A 4DD, United Kingdom on 16 January 2008, are set out at the end of this document. The Court Meeting will start at 10.00 a.m. and the General Meeting will start at 10.10 a.m. (or, if later, as soon as the Court Meeting has been concluded or adjourned). The action to be taken in respect of the Meetings is set out on page 5 of this document. Ordinary Shareholders will find enclosed with this document a blue Form of Proxy for use in connection with the Court Meeting and a white Form of Proxy for use in connection with the General Meeting. Voting Shareholders will also find enclosed with this document a white Form of Proxy for use in connection with the General Meeting. Whether or not you intend to attend both or either of the Meetings in person, please complete and sign the enclosed Form(s) of Proxy and return them to Capita Registrars in accordance with the instructions printed thereon as soon as possible, but in any event so as to be received at least 48 hours before the time appointed for the relevant Meeting. The Forms of Proxy have a pre-paid address for your convenience for use in the UK only. If the blue Form of Proxy for use at the Court Meeting is not lodged by the above time, it may be handed to the Chairman of the Court Meeting before the taking of the poll at that Meeting. However, in the case of the General Meeting, unless the white Form of Proxy is lodged so as to be received by 10.10 a.m. on 14 January 2008, it will be invalid.

The completion and return of the Forms of Proxy will not prevent you from attending and voting in person at either of the Meetings, or any adjournment thereof, should you wish to do so and are so entitled.

If you have any questions relating to the completion and return of your Forms of Proxy, please call Capita Registrars, on 0870 162 3121 or, if calling from outside the UK, +44 208 639 3399 between 9 a.m. and 5 p.m. Monday to Friday (excluding bank or public holidays). Please note that calls to this number may be monitored or recorded and no advice on the Proposals can be given.

IMPORTANT NOTICE

This document does not constitute an offer or an invitation to purchase or subscribe for any securities or a solicitation of an offer to buy any securities pursuant to this document or otherwise in any jurisdiction in which such offer or solicitation is unlawful. This document and the accompanying documents have been prepared in connection with proposals in relation to a scheme of arrangement pursuant to and for the purpose of complying with English law, the Listing Rules, the City Code and the Rules of the London Stock Exchange and information disclosed may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside England. Nothing in this document or the accompanying documents should be relied on for any other purpose.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions and any applicable requirements. Any failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer or an invitation to purchase or subscribe for any securities or a solicitation of an offer to buy any securities pursuant to this document or otherwise in any jurisdiction in which such offer or solicitation is unlawful.

Further details in relation to Overseas Shareholders are contained in paragraph 14 of Part II of this document. All NSB Shareholders or other persons (including nominees, trustees and custodians) who would otherwise intend to or may have a contractual or legal obligation to forward this document and the accompanying Forms of Proxy to a jurisdiction outside the United Kingdom should refrain from doing so and seek appropriate professional advice before taking any action.

No person has been authorised to make any representations on behalf of NSB, Epicor or Epicor Retail concerning the Proposals which are inconsistent with the statements contained in this document and any such representations, if made, may not be relied upon as having been so authorised.

The summary of the principal provisions of the Proposals contained in this document is qualified in its entirety by reference to the Scheme itself, the full text of which is set out in Part III of this document. Each NSB Shareholder is advised to read and consider carefully the text of the Scheme itself. This is because this document, and in particular the letter from the Chairman of NSB and the Explanatory Statement, has been prepared solely to assist NSB Shareholders in respect of voting on the Scheme and the resolutions to be proposed at the General Meeting.

NSB Shareholders should not construe the contents of this document as legal, tax or financial advice and should consult with their own advisers as to the matters described in this document.

The Proposals will be effected by way of scheme of arrangement under UK law and are subject to UK disclosure requirements, which are different from those of the United States or Canada. The Proposals will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, timetable, settlement procedures and timing of payments that are different from those applicable under US or Canadian procedures and law.

Each holder of NSB Shares is urged to consult his independent professional advisers immediately regarding the tax consequences of the Proposals.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements with respect to the financial condition, results of operations and business of the NSB Group and Epicor Group and certain plans and objectives of the NSB Board and the Epicor Board. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as “anticipate”, “expect”, “estimate”, “intend”, “plan”, “goal”, “believe”, “will”, “may”, “should”, “would”, “could” or other words of similar meaning. These statements are based on assumptions and assessments made by the NSB Board and Epicor Board in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe appropriate. By their nature, forward-looking statements involve risk and uncertainty, and the factors described in the context of such forward-looking statements in this document could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements.

Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this document. NSB and Epicor

assume no obligation to update or correct the information contained in this document, whether as a result of new information, future events or otherwise, except to the extent legally required.

The statements contained in this document are made as at the date of this document, unless some other time is specified in relation to them, and service of this document shall not give rise to any implication that there has been no change in the facts set out in this document since such date. Nothing contained in this document shall be deemed to be a forecast, projection or estimate of the future financial performance of NSB except where expressly stated.

DEALING DISCLOSURE REQUIREMENTS

Under the provisions of Rule 8.3 of the City Code, if any person is, or becomes, “interested” (directly or indirectly) in one per cent. or more of any class of “relevant securities” of NSB, all “dealings” in any “relevant securities” of NSB (including by means of an option in respect of, or a derivative referenced to, any such “relevant securities”) must be publicly disclosed by no later than 3.30 p.m. (London time) on the Business Day following the date of the relevant transaction. This requirement will continue until the Effective Date or the date on which the Scheme is withdrawn or lapses or on which the “offer period” otherwise ends (or such later date(s) as the Panel may specify). If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an “interest” in “relevant securities” of NSB, they will be deemed to be a single person for the purpose of Rule 8.3.

Under the provisions of Rule 8.1 of the City Code, all dealings in “relevant securities” of NSB by Epicor or NSB, or any of their respective “associates”, must also be disclosed by no later than 12.00 noon (London time) on the Business Day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose “relevant securities” “dealings” should be disclosed, and the number of securities in issue, can be found on the Panel’s website at www.thetakeoverpanel.org.uk.

“Interests in securities” arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an “interest” by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

Terms in quotation marks are defined in the City Code, which can also be found on the Panel’s website.

If you are in any doubt as to the application of Rule 8 to you, please contact an independent financial adviser authorised under the Financial Services and Markets Act 2000, consult the Panel’s website at www.thetakeoverpanel.org.uk or contact the Panel on telephone number +44 (0)207 638 0129; fax number +44 (0)207 236 7013.

TO VOTE IN FAVOUR OF THE PROPOSALS

Whether or not you plan to attend the Meetings:

Ordinary Shareholders

1. **Complete and return the blue Form of Proxy, to be received by no later than 10.00 a.m. on 14 January 2008**

—AND—

2. **Complete and return the white Form of Proxy, to be received by no later than 10.10 a.m. on 14 January 2008**

Voting Shareholders

Complete and return the white Form of Proxy, to be received no later than 10.10 a.m. on 14 January 2008

**If you require assistance relating to the completion and return of the
Forms of Proxy, please telephone**

Capita Registrars

on 0870 162 3121 (from within the UK)

or +44 208 639 3399 (from outside the UK)

The completion and return of the Forms of Proxy will not prevent you from attending and voting at the relevant Meeting(s), or any adjournment thereof, in person should you wish to do so and are so entitled.

IT IS IMPORTANT THAT, FOR THE COURT MEETING, AS MANY VOTES AS POSSIBLE ARE CAST SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR AND REASONABLE REPRESENTATION OF NSB SHAREHOLDER OPINION. YOU ARE THEREFORE STRONGLY URGED TO SIGN AND RETURN YOUR FORMS OF PROXY AS SOON AS POSSIBLE.

This page should be read in conjunction with ACTION TO BE TAKEN on page 5 of this document and the rest of this document.

ACTION TO BE TAKEN

For Ordinary Shareholders

Please check you have received the following with this document:

- a blue Form of Proxy for use in respect of the Court Meeting; and
- a white Form of Proxy for use in respect of the General Meeting.

For Voting Shareholders

Please check you have received the following with this document:

- a white Form of Proxy for use in respect of the General Meeting.

If you have not received the relevant document(s) please contact Capita Registrars on the helpline number set out below.

The Scheme requires approval at a meeting of the Scheme Shareholders convened by order of the Court to be held at the offices of CMS Cameron McKenna LLP, Mitre House, 160 Aldersgate Street, London EC1A 4DD on 16 January 2008. Implementation of the Scheme also requires the passing of the Special Resolution by the NSB Shareholders at the General Meeting to be held immediately thereafter.

To vote in favour of the Proposals

Ordinary Shareholders

Whether or not you plan to attend the Meetings, PLEASE COMPLETE AND SIGN BOTH the blue and white Forms of Proxy and return them by post or, during normal business hours only, by hand to Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR as soon as possible, but in any event so as to be received by no later than 10.00 a.m. on 14 January 2008 in the case of the Court Meeting (blue form) and by no later than 10.10 a.m. on 14 January 2008 in the case of the General Meeting (white form) (or in the case of an adjourned Meeting, not less than 48 hours prior to the time and date set for that adjourned Meeting). This will enable your votes to be counted at the Meetings in the event of your absence. The Forms of Proxy have a pre-paid address for your convenience for use in the UK only. If the blue Form of Proxy for use at the Court Meeting is not lodged by 10.00 a.m. on 14 January 2008, it may be handed to the Chairman at the Court Meeting (or to Capita Registrars on his behalf) before the taking of the poll and will still be valid.

The completion and return of the Forms of Proxy will not prevent you from attending and voting at the Court Meeting or the General Meeting, or any adjournment thereof, in person should you wish to do so.

IT IS IMPORTANT THAT, FOR THE COURT MEETING, AS MANY VOTES AS POSSIBLE ARE CAST SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR AND REASONABLE REPRESENTATION OF NSB SHAREHOLDER OPINION. YOU ARE THEREFORE STRONGLY URGED TO SIGN AND RETURN YOUR FORMS OF PROXY AS SOON AS POSSIBLE.

Voting Shareholders

Whether or not you plan to attend the General Meeting, PLEASE COMPLETE AND SIGN the white Form of Proxy and return it by post or, during normal business hours only, by hand to Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR as soon as possible, but in any event so as to be received by no later than 10.10 a.m. on 14 January 2008 (or in the case of an adjourned Meeting, not less than 48 hours prior to the time and date set for that adjourned Meeting). This will enable your votes to be counted at the General Meeting in the event of your absence. The Form of Proxy includes a pre-paid address for your convenience for use in the UK only.

The completion and return of the Forms of Proxy will not prevent you from attending and voting at the General Meeting, or any adjournment thereof, in person should you wish to do so.

Helpline

If you have any questions relating to this document or the completion and return of Forms of Proxy, please call Capita Registrars, on 0870 162 3121 or, if calling from outside the UK, +44 208 639 3399 between 9.00 a.m. and 5.00 p.m. Monday to Friday (excluding bank or public holidays). Please note that calls to this number may be monitored or recorded and no advice on the Proposals can be given.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

All times shown in this document are London times unless otherwise stated.

<u>Event</u>	<u>Time and/or date</u>
Latest time for receipt of Forms of Proxy for:	
Court Meeting (blue form)	10.00 a.m. on 14 January 2008 ⁽¹⁾
General Meeting (white form)	10.10 a.m. on 14 January 2008 ⁽¹⁾
Voting Record Time	5.00 p.m. on 14 January 2008 ⁽²⁾
Court Meeting	10.00 a.m. on 16 January 2008
General Meeting	10.10 a.m. on 16 January 2008 ⁽³⁾
First Court Hearing (to sanction the Scheme)	4 February 2008 ⁽⁴⁾
Last day of dealings in, and for registration of transfers of, Ordinary Shares	5 February 2008 ⁽⁴⁾
Scheme Record Time	5.00 p.m. on 5 February 2008 ⁽⁴⁾
Dealings in Ordinary Shares suspended	6 February 2008 ⁽⁴⁾
Second Court Hearing (to confirm the Capital Reduction)	6 February 2008 ⁽⁴⁾
Effective Date of the Scheme	7 February 2008 ⁽⁴⁾
Cancellation of listing of Ordinary Shares	8 February 2008 ⁽⁴⁾
Latest date for despatch of cheques and settlement through CREST	21 February 2008

- (1) Please see “Action to be Taken” on page 5. If the blue Form of Proxy for the Court Meeting is not received by Capita Registrars, by 10.00 a.m. on 14 January 2008, it may be handed to the Chairman at the Court Meeting (or the appointed Registrars on his behalf) at any time before the taking of the poll and still be valid. However, the white Form of Proxy for the General Meeting must be received by Capita Registrars by 10.10 a.m. on 14 January 2008 in order for it to be valid or, if the General Meeting is adjourned, not later than 48 hours before the time fixed for the holding of the adjourned meeting.
- (2) If either the Court Meeting or the General Meeting is adjourned, the Voting Record Time for the adjourned Meeting will be 5.00 p.m. on the day prior to the day immediately before the date fixed for the adjourned Meeting.
- (3) The General Meeting will commence at 10.10 a.m. on 16 January 2008 or, if later, as soon thereafter as the Court Meeting has been concluded or adjourned.
- (4) These dates are indicative only and will depend, amongst other things, on the date upon which (i) the Conditions are either satisfied or (if capable of waiver) waived; (ii) the dates upon which the Court sanctions the Scheme and confirms the Capital Reduction; (iii) the dates on which the Court Order sanctioning the Scheme and confirming the Capital Reduction are delivered to the Registrar of Companies; and (iv) the date on which the Registrar of Companies registers the Court Order confirming the Capital Reduction.

The Court Meeting and the General Meeting will both be held at the offices of CMS Cameron McKenna LLP, Mitre House, 160 Aldersgate Street, London EC1A 4DD, United Kingdom.

The dates given are based on NSB’s current expectations and may be subject to change. If the expected date of either Court Hearing is changed, NSB will give notice of the change by issuing an announcement through a Regulatory Information Service and posting notice of the change to NSB Shareholders. All NSB Shareholders have the right to attend the Court Hearings.

PART I
LETTER FROM THE CHAIRMAN OF NSB



Directors:

Angus Monro (Non-Executive Chairman)
David Henning (Chief Executive Officer)
Stuart Mitchell (Finance Director)
David Sinclair Ferguson (Non-Executive Vice-Chairman)
Ashley Richard Abraham (Non-Executive Director)
Martin Anthony Chatwin (Non-Executive Director)
Paul Allen (Non-Executive Director)

Registered Office:

NSB Retail Systems PLC
Parkfield Business Centre
Parkfield House
Park Street
Stafford
ST17 4AL

Registered in England and Wales under no. 03015908

21 December 2007

To NSB Shareholders and, for information only, to participants in the NSB Share Incentive Schemes and holders of Exchangeable Shares

Dear Shareholder,

RECOMMENDED PROPOSALS FOR THE CASH ACQUISITION OF NSB BY EPICOR RETAIL

1. Introduction

On 17 December 2007, the boards of Epicor and NSB announced that they had reached agreement on the terms of a recommended acquisition by Epicor (acting through its wholly owned subsidiary, Epicor Retail) of all the issued and to be issued ordinary share capital of NSB for 38.0 pence in cash per Ordinary Share to be effected by means of a scheme of arrangement under section 425 of the Companies Act.

I am writing to you now, on behalf of the Board, to set out the terms of the Proposals, to explain the background to and reasons for our recommendation of the Proposals, and to explain why the NSB Directors are unanimously recommending that NSB Shareholders vote in favour of the Scheme, as the NSB Directors have irrevocably undertaken to do in respect of their own beneficial holdings, which in aggregate amount to 2,401,957 Ordinary Shares, representing approximately 0.63 per cent. of the existing issued ordinary share capital of NSB entitled to vote at the Court Meeting and approximately 0.58 per cent. of the existing issued share capital of NSB entitled to vote at the General Meeting.

In order to approve the terms of the Proposals, NSB Shareholders will need to vote in favour of the resolutions to be proposed at the Court Meeting and at the General Meeting, to be held on 16 January 2008. Details of the actions you should take are set out in paragraph 12 of this letter.

2. The Proposals

The Transaction will be implemented by way of the Scheme, the full details of which are set out in Parts II (Explanatory Statement) and III (Scheme of Arrangement) of this document. The Scheme is subject to the Conditions and the further terms set out in Appendix I to this document.

Under the terms of the Scheme, if the Scheme becomes effective, the Scheme Shares will be cancelled and, in exchange, Scheme Shareholders on the register of members at the Scheme Record Time will receive:

for each Scheme Share

38.0 pence in cash

The terms of the Transaction value the entire issued ordinary share capital of NSB (fully diluted for the exchange of all Exchangeable Shares and the exercise of all in-the-money options under the NSB Share Incentive Schemes) at approximately £160.1 million.

The price per Ordinary Share which Scheme Shareholders would receive under the Proposals represents a premium of approximately:

- 61.7 per cent. to the Closing Price of 23.50 pence per Ordinary Share on 12 December 2007, being the last Business Day prior to the commencement of the Offer Period;
- 55.7 per cent. to the average Closing Price of 24.40 pence per Ordinary Share for the three months ended 12 December 2007, being the last Business Day prior to the commencement of the Offer Period;
- 36.3 per cent. to the average Closing Price of 27.88 pence per Ordinary Share for the 12 months ended 12 December 2007, being the last Business Day prior to the commencement of the Offer Period; and
- 11.8 per cent. to the Closing Price of 34.00 pence per Ordinary Share on 14 December 2007, being the last Business Day prior to the announcement by the boards of Epicor and NSB of the Transaction.

3. Scheme becoming effective

It is expected that (subject to satisfaction or waiver of the Conditions) the Effective Date will be 7 February 2008. If the Scheme becomes effective, it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting.

To become effective, the Scheme will require, amongst other things, the approval at the Court Meeting of a majority in number of the Scheme Shareholders present and voting, either in person or by proxy, representing 75 per cent. or more in value of the Scheme Shares voted and the passing of the Special Resolution at the General Meeting. Following the Scheme Meeting and the General Meeting and the satisfaction (or, where applicable, waiver) of the other Conditions, the Scheme must also be sanctioned by the Court at the First Court Hearing expected to happen on 4 February 2008 and the associated Capital Reduction must be confirmed by the Court at the Second Court Hearing expected to happen on the 6 February 2008.

It is expected that NSB will close its register of members after close of business on 1 February 2008 and the listing of the Ordinary Shares on the Official List and dealings in such shares on the London Stock Exchange will be suspended from 4 February 2008. Application will be made to the UK Listing Authority for the listing of the Ordinary Shares on the Official List to be cancelled as of the Effective Date and to the London Stock Exchange for such shares to cease to be admitted to trading on its market for listed securities as of the Effective Date.

If the Scheme becomes effective, cheques in respect of the consideration will be despatched by post to Scheme Shareholders at their own risk (or the consideration will be settled through CREST, as the case may be) as soon as practicable and, in any event, within 14 days after the Effective Date.

The Explanatory Statement in compliance with section 426 of the Companies Act is set out in Part II of the document.

4. Background to and reasons for recommending the Proposals

NSB was formed in 1995, was admitted to trading on AIM in 1997, and expanded both organically and by acquisition from that point. In 1999 NSB moved to the Official List and in late 2000 it completed the acquisition of STS Systems. Following this acquisition, NSB's management team and operations were increasingly weighted towards North America and this was further emphasised by the sale of NSB's UK operations to BT in early 2004. Since then, NSB's focus has been to build on its track record of expertise, innovation and delivery in its chosen sub-sectors of fashion, apparel and speciality retail. This strategy has yielded good results, with NSB reporting four consecutive years of growth in adjusted operating profit (operating profit before impact of capitalising development costs, share based payments, surplus property

costs, employee redundancy and separation costs) in the period 2003 to 2006 and a 23 per cent. year-on-year increase in adjusted operating profit in the first six months of 2007. Also in 2007, NSB has resumed payment of dividends, and effected a smooth handover of management responsibility from NSB's founder, Nikki Beckett, to the current Chief Executive Officer, David Henning.

Whilst the NSB Directors are confident that the prospects of the business as an independent company remain strong, they have also been mindful that NSB's share price performance has been impaired, in their view, by a number of factors, including especially the sustained devaluation of the US Dollar (NSB's principal operational currency) against the Pound and Canadian Dollar. As NSB has evolved over the years into an almost exclusively North American business, the NSB Board has had cause to weigh both the costs and benefits of maintaining an independent London listing, against the increased scale and reach achieved by combining NSB with a larger, but still focused, software and solutions provider such as Epicor. The NSB Board sees the Retail Division of Epicor and the business of NSB as being in many respects complementary, both in terms of their current geographic footprint and product offerings, whilst at the same time offering scope for synergies from streamlining overlapping support functions, and in the medium-term, from developing the combined business internationally in line with both companies' stated strategy.

Accordingly, following an approach by Epicor, the NSB Board has held detailed discussions regarding the terms of a potential acquisition of NSB by Epicor. The NSB Board believes that the terms of the Proposals fairly reflect the potential benefits that can be derived from combining the two businesses. The Proposals also represent a significant premium of 61.7 per cent. to the Closing Price of 23.50 pence per Ordinary Share on 12 December 2007 (being the last Business Day prior to the commencement of the Offer Period) and a premium of 55.7 per cent. to the Closing Price of an Ordinary Share of 24.40 pence for the three months prior to 12 December 2007. Accordingly, the NSB Board believes that the Proposals are in the best interests of NSB Shareholders.

5. Reasons for the Proposals

Epicor is a global leader in the development and delivery of integrated ERP, customer relationship management, supply chain management, retail POS and professional services automation software solutions to mid-market companies and divisions of the Global 1000. Founded in 1984, Epicor serves over 20,000 customers in more than 140 countries, providing solutions in over 30 languages.

Further information relating to Epicor and Epicor Retail is set out in paragraph 6 of Part II of this document.

The Epicor Directors believe that a combination of NSB and Epicor will create a leading provider of software applications to the specialty retail market and will establish the company as a leader in POS solutions. The Epicor Directors further believe that the increased breadth of products, additional market focus and opportunity and new cross-selling opportunities resulting from the transaction should provide significant benefits for customers and employees of both companies. Further benefits and reasons for the Proposals are set out in full in paragraph 8 of Part II of this document.

6. Directors, management and employees

Epicor attaches great importance to the skills and experience of the current management team and employees of NSB. The Epicor Board has given assurances to the NSB Directors that, upon the Scheme becoming effective, the existing employment rights of NSB Group employees will continue to be safeguarded and pension obligations complied with. Epicor's plans do not involve any material change to the conditions of employment of NSB's employees (other than the intended transition of certain employees to the Epicor Group's standard terms and conditions of employment, but there is no intention to reduce overall employee remuneration and other contractual benefits will remain broadly comparable) and there are no current plans to change the principal locations of NSB's existing businesses.

Following the Scheme becoming effective, a joint team from Epicor and NSB will be set up to assess how best to take advantage of the combined businesses' strong strategic position and growth opportunities and to realise the synergies in each case referred to above. This review will include an analysis of the Epicor Group's continuing operating locations and associated staffing levels.

The Epicor Board has also indicated that it intends that David Henning, NSB's current Chief Executive Officer, will assume overall management responsibility for the enlarged retail sector business of Epicor.

The non-executive NSB Directors have agreed to resign from the NSB Board upon the Scheme becoming effective and will be paid in full in respect of their notice periods.

Save as disclosed in this document the effect of the Scheme on the interests of the NSB Directors will not differ from its effect in the interests of any other Scheme Shareholder.

7. NSB Share Incentive Schemes

Information relating to the effect of the Scheme on participants in the NSB Share Incentive Schemes is set out in paragraph 10 of Part II of this document.

8. Irrevocable undertakings

To become effective, the Scheme requires, amongst other things, the approval of Scheme Shareholders at the Court Meeting convened for 16 January 2008. The Scheme also requires the sanction of the Court and the passing of the Special Resolution to be proposed at the General Meeting, also convened for 16 January 2008.

Scheme

Epicor has received irrevocable undertakings to vote (or procure the vote) in favour of the Scheme at the Court Meeting, or (other than in respect of the undertaking given by Aberforth Partners LLP) in the event that the Transaction is implemented by way of a takeover offer, to accept such offer, in respect of 118,888,089 Ordinary Shares in aggregate, representing approximately 31.21 per cent. of the existing issued ordinary share capital of NSB entitled to vote at the Court Meeting.

Special Resolution

Epicor has also received irrevocable undertakings to vote in favour of the Special Resolution to be proposed at the General Meeting in respect of a total of 118,888,089 Ordinary Shares, and 34,508,249 Voting Shares representing approximately 36.93 per cent. of the existing issued share capital of NSB entitled to vote at the General Meeting.

Of the undertakings described in this paragraph, the undertakings given by certain NSB Shareholders in respect of 116,486,132 Ordinary Shares and 34,508,249 Voting Shares shall cease to be binding if a higher competing offer is made representing an improvement of at least 10 per cent. above 38.0 pence per Ordinary Share. The undertakings given by the NSB Directors in respect of 2,401,957 Ordinary Shares will continue to be binding regardless of any higher competing offer being made for NSB. In addition all of the undertakings shall cease to be binding if the Scheme is withdrawn or lapses, unless (other than in respect of the undertaking given by Aberforth Partners LLP) Epicor Retail announces within ten days thereafter that the Transaction is to be implemented by way of a takeover offer in accordance with the City Code.

Further details on the irrevocable undertakings are contained in paragraph 3 of Part II of this document.

9. Delisting of Ordinary Shares and re-registration

The attention of Ordinary Shareholders is drawn to paragraph 15 of the Explanatory Statement set out in Part II of this document in relation to Epicor's intentions with regard to the cancellation of the listing of, and admission to trading of, the Ordinary Shares and the re-registration of NSB as a private company.

10. Inducement fee arrangements

As an inducement for Epicor carrying out its due diligence in respect of the Proposals and devoting management time and resources in connection with the Proposals, NSB has agreed in the Implementation Agreement to pay to Epicor an inducement fee of £1,600,000 in aggregate (equal to approximately one per cent. of the value of NSB by reference to the price offered under the Proposals) (inclusive of value added tax, if any, except to the extent any such value added tax is recoverable by NSB) in the following circumstances:

- (a) the Scheme lapses or is withdrawn and a competing proposal that is announced (under Rule 2.5 of the City Code) prior to the date which is 3 months after the date in which the Scheme lapses or is withdrawn becomes unconditional or otherwise completes; or

- (b) the NSB Directors withdraw or adversely modify their recommendation of the Proposals and the Scheme lapses or is withdrawn.

Further details of the Implementation Agreement are set out in paragraph 12 of Part II of this document (Explanatory Statement).

11. United Kingdom taxation

A summary of relevant UK taxation, which is intended as a general guide only, is set out in Appendix III to this document. If you are in any doubt as to your tax position, or if you are subject to tax in a jurisdiction outside the UK, you should consult an appropriate independent professional adviser immediately.

12. Meetings and action to be taken

The Scheme must be approved by a majority in number of those Scheme Shareholders present and voting, either in person or by proxy, at the Court Meeting, representing 75 per cent. or more in value of all Scheme Shares held by such Scheme Shareholders. The Scheme also requires the sanction of the Court as well as the satisfaction or waiver of the Conditions set out in Appendix I. The Special Resolution implementing the Proposals must be passed by the NSB Shareholders at the General Meeting. Upon the Scheme becoming effective, it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting.

The Court Meeting and the General Meeting will be held at the offices of CMS Cameron McKenna LLP, Mitre House, 160 Aldersgate Street, London EC1A 4DD, United Kingdom at 10.00 a.m. and 10.10 a.m. respectively on 16 January 2008 (or, in the case of the General Meeting, if later, as soon thereafter as the Court Meeting has been concluded or adjourned).

You will find enclosed with this document:

- a blue Form of Proxy printed with a pre-paid address on the reverse for use in respect of the Court Meeting (only included for Ordinary Shareholders); and
- a white Form of Proxy printed with a pre-paid address on the reverse for use in respect of the General Meeting.

If you have not received all of the documents relevant to you please contact Capita Registrars on the number set out below.

Whether or not you plan to attend both or either of the Meetings, please complete and sign the enclosed Forms of Proxy and return them by post (using the pre-paid service if posted from within the UK) or, during normal business hours only, by hand to Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR as soon as possible but, in any event, so as to be received by Capita Registrars, no later than:

- blue Form of Proxy for the Court Meeting 10.00 a.m. on 14 January 2008
- white Form of Proxy for the General Meeting 10.10 a.m. on 14 January 2008

(or in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). Forms of Proxy sent by fax only will not be valid.

The completion and return of the Forms of Proxy will not prevent you from attending and voting at either the Court Meeting or the General Meeting, or any adjournment thereof, in person should you wish to do so and are so entitled.

If the blue Form of Proxy for use at the Court Meeting is not lodged by the above time, it may be handed to the Chairman of the Court Meeting before the taking of the poll and will still be valid. However, in the case of the General Meeting, unless the white Form of Proxy is lodged so as to be received by 10.10 a.m. on 14 January 2008, it will be invalid.

IT IS IMPORTANT THAT, FOR THE COURT MEETING, AS MANY VOTES AS POSSIBLE ARE CAST SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR AND REASONABLE REPRESENTATION OF NSB SHAREHOLDER OPINION. ORDINARY SHAREHOLDERS ARE THEREFORE STRONGLY URGED TO SIGN AND RETURN YOUR FORMS OF PROXY AS SOON AS POSSIBLE.

Provided the Scheme becomes effective, Scheme Shareholders will receive their cash consideration without having to take further action.

If you have any questions relating to completion and return of the Forms of Proxy, please contact Capita Registrars, on 0870 162 3121 or, if calling from outside the UK, +44 208 639 3399 between 9.00 a.m. and 5.00 p.m. Monday to Friday (excluding bank and public holidays). Please note that calls to this number may be monitored or recorded, and no advice on the Proposals can be given.

Overseas Shareholders should refer to paragraph 14 of the Explanatory Statement set out in Part II of this document. Details relating to settlement are included in paragraph 16 of the Explanatory Statement set out in Part II of this document.

Notices convening the Court Meeting and the General Meeting are set out Appendices VI and VII of this document.

13. Further Information

Your attention is drawn to the letter from Close Brothers set out in Part II of this document (being the Explanatory Statement pursuant to section 426 of the Companies Act). The terms of the Scheme are set out in full in Part III of this document. Your attention is also drawn to the further information contained in this document and, in particular, to the Conditions to the implementation of the Scheme in Appendix I, the financial information on the NSB Group in Appendix II, the information on UK taxation in Appendix III and the additional information set out in Appendix IV to this document.

14. Recommendation

The NSB Directors, who have been so advised by Close Brothers, consider the terms of the Proposals to be fair and reasonable. In providing its advice to the NSB Directors, Close Brothers has taken into account the commercial assessment of the NSB Directors.

Accordingly, the NSB Directors unanimously recommend that NSB Shareholders vote in favour of the resolutions to be proposed at the Court Meeting and the General Meeting as they have irrevocably undertaken to do in respect of their entire beneficial holdings of issued Ordinary Shares, which in aggregate amount to 2,401,957 Ordinary Shares, representing approximately 0.63 per cent. of NSB's existing issued ordinary share capital entitled to vote at the Court Meeting and 0.58 per cent of the existing issued share capital entitled to vote at the General Meeting.

Yours faithfully

Angus Monro

Non-Executive Chairman

NSB Retail Systems PLC

PART II
EXPLANATORY STATEMENT
(in compliance with section 426 of the Companies Act)



Close Brothers Corporate Finance Limited
10 Crown Place
London
EC2A 4FT
United Kingdom

Registered in England and Wales under no. 3067616

21 December 2007

To NSB Shareholders and, for information only, to participants in the NSB Share Incentive Schemes and holders of Exchangeable Shares

Dear Shareholder,

RECOMMENDED PROPOSALS FOR THE CASH ACQUISITION OF NSB BY EPICOR RETAIL

1. Introduction

On 17 December 2007, the boards of NSB and Epicor announced that they had reached agreement on the terms of a recommended acquisition by Epicor (acting through its wholly owned subsidiary Epicor Retail) of all the issued and to be issued ordinary share capital of NSB for 38.0 pence in cash per Ordinary Share. The Transaction values the entire issued ordinary share capital of NSB (fully diluted for the exchange of all Exchangeable Shares and the exercise of all in-the-money options under the NSB Share Incentive Schemes) at approximately £160.1 million. The Transaction is to be effected by means of a scheme of arrangement under section 425 of the Companies Act.

Epicor is a global leader in the development and delivery of ERP, customer relationship management, supply chain management, retail POS and professional services automation software solutions to mid-market companies and divisions of the Global 1000. Founded in 1984, Epicor serves over 20,000 customers in more than 140 countries, providing solutions in over 30 languages. Epicor has ten active operating subsidiaries worldwide and its corporate headquarters are located at 18200 Von Karman Ave, Suite 1000, Irvine, California.

Further information relating to Epicor and Epicor Retail is set out in paragraph 6 below.

Your attention is drawn to the letter from the Chairman of NSB set out in Part I of this document, which forms part of this Explanatory Statement and which contains the background to and reasons for the NSB Directors' recommendation and which states that the NSB Board, which has been so advised by Close Brothers, considers the terms of the Proposals to be fair and reasonable. In providing our advice to the NSB Directors, we have taken into account the NSB Directors' commercial assessment of the Proposals. The NSB Directors unanimously recommend that all NSB Shareholders vote in favour of the resolutions to be proposed at the Meetings, as those NSB Directors who hold NSB Shares have irrevocably undertaken to do (or procure the registered holders to do) in respect of their own beneficial shareholdings of a total of 2,401,957 Ordinary Shares which represent, in aggregate, approximately 0.63 per cent. of NSB's existing issued ordinary share capital entitled to vote at the Court Meeting and approximately 0.58 per cent. of NSB's existing issued share capital entitled to vote at the General Meeting.

We have been authorised by the NSB Directors to write to you to explain the Scheme and to provide you with other relevant information. This letter sets out and explains the provisions of the Scheme. The Scheme is set out in full in Part III of this document. Your attention is also drawn to the Conditions set out

in Appendix I to this document and the further information set out in Appendices II to IV to this document.

2. The Proposals

The Transaction will be implemented by way of the Scheme. The Scheme is subject to the Conditions and further terms set out in Appendix I to this document. Under the terms of the Scheme, if the Scheme becomes effective, the Scheme Shares will be cancelled and, in exchange, Scheme Shareholders on the register of members at the Scheme Record Time will receive:

for each Scheme Share

38.0 pence in cash

The terms of the Transaction value the entire issued ordinary share capital of NSB (fully diluted for the exchange of all Exchangeable Shares and the exercise of all in the money options under the NSB Share Incentive Schemes) at approximately £160.1 million and the price per Ordinary Share which Scheme Shareholders would receive under the Proposals represents a premium of approximately:

- 61.7 per cent. to the Closing Price of 23.50 pence per Ordinary Share on 12 December 2007, being the last Business Day prior to the commencement of the Offer Period;
- 55.7 per cent. to the average Closing Price of 24.40 pence per Ordinary Share for the three months ended 12 December 2007, being the last Business Day prior to the commencement of the Offer Period;
- 36.3 per cent. to the average Closing Price of 27.88 pence per Ordinary Share for the 12 months ended 12 December 2007, being the last Business Day prior to the commencement of the Offer Period; and
- 11.8 per cent. to the Closing Price of 34.00 pence per Ordinary Share on 14 December 2007, being the last Business Day prior to the announcement by the boards of Epicor and NSB of the Transaction.

3. Irrevocable undertakings

To become effective, the Scheme requires, amongst other things, the approval of Scheme Shareholders at the Court Meeting convened for 16 January 2008. The Scheme also requires the sanction of the Court and the passing of the Special Resolution to be proposed at the General Meeting, also convened for 16 January 2008.

Scheme

Epicor has received irrevocable undertakings to vote (or procure the vote) in favour of the Scheme at the Court Meeting, or (other than in respect of the undertaking given by Aberforth Partners LLP) in the event that the Transaction is implemented by way of a takeover offer, to accept such offer in respect of 118,888,089 Ordinary Shares in aggregate, representing approximately 31.21 per cent. of the existing issued ordinary share capital of NSB entitled to vote at the Court Meeting.

Special Resolution

Epicor has also received irrevocable undertakings to vote in favour of the Special Resolution to be proposed at the General Meeting in respect of a total of 118,888,089 Ordinary Shares, and 34,508,249 Voting Shares representing approximately 36.93 per cent. of the existing issued share capital of NSB entitled to vote at the General Meeting.

Further details on the irrevocable undertakings

The irrevocable undertakings referred to above comprise the following:

- (a) each of the NSB Directors who hold Ordinary Shares, being Angus Monro, Stuart Mitchell, David Ferguson, Martin Chatwin and Richard Abraham has irrevocably undertaken to vote or to take all reasonable steps to procure that the relevant registered shareholder vote in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the General Meeting in respect of the Ordinary Shares beneficially owned by such NSB Director or their connected persons, as noted below, representing, in aggregate, approximately 0.63 per cent. of the existing issued ordinary share

capital of NSB entitled to vote at the Court Meeting and approximately 0.58 per cent. of the existing issued share capital of NSB entitled to vote at the General Meeting:

Angus Monro	368,558
Stuart Mitchell	304,652
David Ferguson	50,000
Martin Chatwin	1,045,530
Richard Abraham	633,217

These undertakings will continue to be binding if any higher competing offer is made for NSB.

- (b) Aberforth Partners LLP (“**Aberforth**”) has irrevocably undertaken to vote in favour of the Scheme at the Court Meeting and in favour of the Special Resolution to be proposed at the General Meeting in respect of 61,209,900 Ordinary Shares, representing approximately 16.07 per cent. of the existing issued ordinary share capital of NSB entitled to vote at the Court Meeting and approximately 14.73 per cent. of the existing issued share capital of NSB entitled to vote at the General Meeting;
- (c) Hermes Focus Asset Management Limited (“**Hermes**”) has irrevocably undertaken to vote in favour of the Scheme at the Court Meeting and in favour of the Special Resolution to be proposed at the General Meeting in respect of 43,798,297 Ordinary Shares, representing approximately 11.50 per cent. of the existing issued ordinary share capital of NSB entitled to vote at the Court Meeting and approximately 10.54 per cent. of the existing issued share capital of NSB entitled to vote at the General Meeting;
- (d) Gartmore Investment Limited (“**Gartmore**”) has irrevocably undertaken to vote in favour of the Scheme at the Court Meeting and in favour of the Special Resolution to be proposed at the General Meeting in respect of 11,477,935 Ordinary Shares, representing approximately 3.01 per cent. of the existing issued ordinary share capital of NSB entitled to vote at the Court Meeting and approximately 2.76 per cent. of the existing issued share capital of NSB entitled to vote at the General Meeting;
- (e) 3068358 Canada Inc. (i) has given its written consent to the Scheme, (ii) in its capacity as holder of 34,508,249 Voting Shares (being all of the issued Voting Shares) representing approximately 8.31 per cent. of the existing issued voting share capital of NSB entitled to vote at the NSB General Meeting, has irrevocably undertaken to vote in favour of the Special Resolution to be proposed at the NSB General Meeting, and (iii) in its capacity as holder of 34,508,249 Exchangeable Shares has irrevocably undertaken to cause the retraction or exchange of its 34,508,249 Exchangeable Shares into 34,508,249 Ordinary Shares immediately following the sanction of the Scheme by the Court, subject to all other conditions to the Scheme having been met or waived.

The undertakings from Aberforth, Hermes, Gartmore and 3068358 Canada Inc. will cease to be binding if a higher competing offer is made representing an improvement of at least 10 per cent. above 38.0 pence per Ordinary Share.

In addition all of the undertakings will cease to be binding if the Scheme is withdrawn or lapses, unless (other than in respect of the undertaking from Aberforth) Epicor Retail announces within ten days thereafter that the Transaction is to be implemented by way of a takeover offer in accordance with the City Code.

4. Structure of the Proposals

(a) Introduction

The Transaction is to be effected by means of a scheme of arrangement between NSB and the Scheme Shareholders under section 425 of the Companies Act, the provisions of which are set out in full in Part III of this document. The purpose of the Scheme, together with the proposed changes to the NSB Articles, is to provide for Epicor Retail to become the owner of the whole of the issued ordinary share capital of NSB. The Scheme will provide for the cancellation of the Scheme Shares and the application of the reserve arising from such cancellation in paying up in full a number of New Ordinary Shares which is equal to the number of and which have a nominal value equal to the value of the Scheme Shares cancelled and issuing the same to Epicor Retail and/or its nominee(s).

The Scheme Shareholders will then receive cash on the basis set out in paragraph 2 above.

It is intended that Epicor Retail or its nominee will acquire one Ordinary Share prior to the Court Meeting. This share will not be subject to the Scheme.

To become effective, the Scheme requires the approval of Scheme Shareholders at the Court Meeting. The Scheme also requires the sanction of the Court and the passing of the Special Resolution to be proposed at the General Meeting, as well as satisfaction or waiver of the other Conditions set out in Appendix I. Upon the Scheme becoming effective, it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting.

(b) The Meetings

Notices of the Court Meeting and the General Meeting are set out at the end of this document. Entitlements to attend and vote at the Meetings and the number of votes which may be cast at them will be determined by reference to, in the case of the Court Meeting, holdings of Scheme Shares and, in the case of the General Meeting, holdings of Ordinary Shares and Voting Shares, in each case as shown in the register of members of NSB at the time specified in the notice of the relevant meeting.

The Court Meeting

You will find set out at in Appendix VI notice of the meeting of the Scheme Shareholders which has been convened by order of the Court for the purpose of considering and, if thought fit, approving the Scheme.

The Court Meeting, which has been convened for 10.00 a.m. on 16 January 2008, is being held at the direction of the Court to seek the approval of the Scheme Shareholders to the Scheme. At the Court Meeting, voting will be by way of poll and each Scheme Shareholder present in person or by proxy will be entitled to one vote for each Scheme Share held. The approval required at the Court Meeting is a majority in number of those Scheme Shareholders who are present and vote, either in person or by proxy, and who represent 75 per cent. or more in value of all Scheme Shares held by such Scheme Shareholders.

Scheme Shareholders have the right to raise any objections they may have to the Scheme at the Court Meeting.

It is important that as many votes as possible are cast at the Court Meeting (whether in person or by proxy) so that the Court may be satisfied that there is a fair and reasonable representation of NSB Shareholder opinion.

Ordinary Shareholders will find enclosed a blue Form of Proxy with this document for use at the Court Meeting.

The General Meeting

You will find set out at in Appendix VII notice of the meeting of the General Meeting, which has been convened for 10.10 a.m. on 16 January 2008 (or if later, immediately following the conclusion or adjournment of the Court Meeting), to consider and, if thought fit, pass the Special Resolution (which requires votes in favour representing at least 75 per cent. of the votes cast) to approve:

- (i) the Capital Reduction (in connection with the Scheme);
- (ii) the giving of authority to the NSB Directors to allot shares in NSB to Epicor as provided for in the Scheme; and
- (iii) certain amendments to the NSB Articles as described below.

Voting on the Special Resolution will be on a show of hands unless a poll is demanded. The Chairman reserves the right to demand a poll and, in such event, each holder of Ordinary Shares and Voting Shares present in person or by proxy will be entitled to one vote for every Ordinary Share or Voting Share held.

It is proposed that the NSB Articles will be amended to ensure that any Ordinary Shares which are issued after the General Meeting but before the Scheme Record Time will be subject to and bound by the Scheme. Any Ordinary Shares issued on the exercise of options under the NSB Share Incentive Schemes, on the conversion of the Exchangeable Shares into Ordinary Shares or otherwise after the Scheme Record Time will not be subject to the Scheme. Accordingly, it is also proposed that the NSB Articles will be amended so that any Ordinary Shares issued to any person other than Epicor Retail (or its nominee(s)) on or after the Scheme Record Time will automatically be acquired by Epicor Retail in consideration for the payment by Epicor Retail to such person of such cash consideration as would have been payable under the

Scheme had such Ordinary Shares been Scheme Shares. The proposed amendments to the NSB Articles are set out in full in the notice of the General Meeting in Appendix VII.

NSB Shareholders will find enclosed a white Form of Proxy with this document for use at the General Meeting.

(c) Modifications to the Scheme

The Scheme contains a provision for NSB and Epicor Retail jointly to consent on behalf of all concerned to any modifications, additions or conditions to the Scheme which the Court may think fit to approve or impose. The Court would be unlikely to approve or impose any modifications, additions or conditions to the Scheme which might be material to the interests of Scheme Shareholders unless Scheme Shareholders were informed of any such modification, addition or condition. It would be a matter for the Court to decide, in its discretion, whether or not a further meeting of Scheme Shareholders should be held. Similarly, if a modification, addition or condition is put forward which, in the opinion of the NSB Directors, is of such a nature or importance as to require the consent of NSB Shareholders at a further meeting, the NSB Directors will not take the necessary steps to enable the Scheme to become effective unless and until such consent is obtained.

(d) Alternative means of implementing the Transaction

Under the Implementation Agreement, Epicor has the right to elect to implement the Transaction by making a takeover offer for the entire issued and to be issued ordinary share capital of NSB. If Epicor elects to implement the Transaction by making a takeover offer, that offer will be implemented on the same terms (subject to appropriate amendments), so far as applicable, as those which apply to the Scheme. Further, if sufficient acceptances of such offer are received, and/or sufficient Ordinary Shares are otherwise acquired, it is the intention of Epicor to apply the provisions of Chapter 3 of Part 28 of the 2006 Act to acquire compulsorily any outstanding Ordinary Shares to which such offer relates.

(e) Conditions to the Scheme

The Conditions to the Scheme are set out in full in Appendix I. The Scheme is conditional, amongst other things, upon:

- (i) the Scheme becoming effective by not later than 31 March 2008 or such later date as NSB and Epicor Retail may agree and (if required) the Court may allow;
- (ii) approval of the Scheme by a majority in number of the Scheme Shareholders who are present and vote either in person or by proxy at the Court Meeting, or any adjournment of that Meeting, and who represent 75 per cent. or more in value of all Scheme Shares held by such Scheme Shareholders;
- (iii) the Special Resolution to be set out in the notice of the General Meeting being duly passed by the requisite majority at the General Meeting or any adjournment of that Meeting; and
- (iv) the sanction (with or without modification agreed by NSB and Epicor Retail) of the Scheme and confirmation of the Capital Reduction by the Court, office copies of the Court Orders and the minute of such reduction attached thereto being delivered for registration to the Registrar of Companies and, in the case of the Court Order confirming the Capital Reduction, registration of such Court Order by him.

(f) Sanction of the Scheme by the Court

Under the Companies Act, the Scheme and the Capital Reduction require the sanction of the Court. The Hearings by the Court to sanction the Scheme and the Capital Reduction comprised in the Scheme are expected to be held on 4 February 2008 and 6 February 2008 respectively. Epicor Retail has confirmed that it will be represented by Counsel at such hearings so as to consent to the Scheme and to undertake to the Court to be bound thereby.

The Scheme will become effective in accordance with its terms on delivery of office copies of the Court Orders to the Registrar of Companies, and in relation to the Court Order to confirm the Capital Reduction comprised in the Scheme the registration of such Court Order by him.

If the Scheme becomes effective, it will be binding on all Scheme Shareholders irrespective of whether or not they attended or voted in favour of the Scheme at the Court Meeting or in favour of the Special

Resolution at the General Meeting. If the Scheme does not become effective by 31 March 2008 (or such later date (if any) as Epicor Retail and NSB may agree and (if required) the Court may allow) the Scheme will not become effective.

(g) Exchangeable Shares and Voting Shares

3068358 Canada Inc., in its capacity as holder of 34,508,249 Exchangeable Shares (being all of the issued Exchangeable Shares), has agreed to exercise its retraction right and will receive 34,508,249 Ordinary Shares immediately following the sanction of the Scheme by the Court and prior to the Scheme Record Time, subject to all other conditions to the Scheme having been met or waived at that time. Once this happens, the newly issued Ordinary Shares will be subject to and bound by the Scheme and 3068358 Canada Inc. will be entitled to receive the consideration payable under the Scheme to holders of Scheme Shares.

If 3068358 Canada Inc. does not exercise its retraction rights all of the 34,508,249 issued Exchangeable Shares will, in accordance with the rights attaching to them, automatically be redeemed for Ordinary Shares. This will occur upon the Court Orders confirming the Scheme and the Capital Reduction being delivered for registration to the Registrar of Companies and, in the case of the Court Order confirming the Capital Reduction, upon registration of such Court Order.

Following such exchange, the newly issued Ordinary Shares will automatically be acquired by Epicor in consideration for the payment by Epicor to the holder of such shares of such cash consideration as would have been payable under the Scheme had such Ordinary Shares been Scheme Shares, in accordance with the amended provisions of the NSB Articles to be approved at the General Meeting, as set out in the notice in Appendix VII of this document.

Upon the retraction or redemption of the Exchangeable Shares whether such exchange is voluntary or automatic, NSB will redeem all of the 34,508,249 issued Voting Shares at par.

5. Background to and reasons for recommending the Proposals

The details of the background to and reasons for recommending the Proposals are set out in full in the letter from the Chairman of the Company in Part I of this document.

6. Information on the Epicor Group

Epicor is a global leader in the development and delivery of integrated ERP, customer relationship management, supply chain management, retail POS and professional services automation software solutions to mid-market companies and divisions of the Global 1000. Epicor is listed on NASDAQ with a market capitalisation of approximately US\$687. Founded in 1984, Epicor serves over 20,000 customers in more than 140 countries, providing solutions in over 30 languages. Epicor has ten active operating subsidiaries worldwide and its corporate headquarters are located at 18200 Von Karman Ave, Suite 1000, Irvine, California. More information is available at www.epicor.com.

Epicor reported US GAAP revenue of US\$289 million and US\$384 million with profit before taxation of US\$34 million and US\$39 million for the financial years ended 31 December 2005 and 2006, respectively. As at 31 December 2006, Epicor's reported net assets were US\$209 million.

On 23 October 2007, Epicor reported third quarter results and issued the following guidance for the year ended 31 December 2007: "The Company's current fourth quarter revenue expectations equate to expectations for 2007 full year revenue of \$420–422 million . . . The Company's current 2007 fourth quarter non-GAAP earnings per share expectations bring expectations for 2007 full year non-GAAP earnings per share of \$0.83 to \$0.84." On 23 October 2007, Epicor also issued guidance for the year ending 31 December 2008: "Total revenues for the 2008 year are expected to be \$458 to \$468 million . . . Non-GAAP earnings per share is expected to be between \$0.96 to \$0.99." On 17 December 2007 Epicor reaffirmed this outlook. Epicor would emphasise that as is customary for it, the next two weeks may have a significant influence on the final outcome for the year.

Epicor Retail is a New Brunswick corporation incorporated specifically for the purpose of the Transaction. It is a wholly owned subsidiary of Epicor and has not traded or carried out any business other than in connection with the Transaction. Further details of Epicor Retail are set out in recital C of Part III of this document.

7. Information relating to the NSB Group and current trading

NSB was formed in 1995, was admitted to trading on AIM in 1997 and has been listed on the Official List since 1999. NSB is a predominantly North American supplier of software solutions and services that help the retail market create, manage and fulfil consumer demand. Its customers include GameStop, JC Penney and Ross Stores. NSB has approximately 610 employees based primarily at NSB's headquarters in Montreal, Canada and in Columbus, Ohio, USA. BT acts as NSB's exclusive distributor in the UK. The NSB Group's focus remains on the fashion, apparel and specialty retail markets.

For the year ended 31 December 2006, NSB had revenues of US\$87.6 million and operating profit before exceptional items of US\$18.9 million. As at 30 June 2007, the total assets of NSB were US\$149.7 million (2006: US\$129.5 million), net assets were US\$106.1 million (2006: US\$90.0 million) and net cash was US\$34.6 million (2006: US\$21.6 million).

The following extracts have been taken from the Chief Executive Officer's statement accompanying the announcement of the unaudited consolidated financial statements of the NSB Group for the six months' period ended 30 June 2007 on 11 September 2007.

"I am delighted to report a strong set of results in my first period as Chief Executive. We achieved good growth in all our key operating metrics; order intake, revenues and operating profit. Our past actions to control our cost base along with our continuing investment in product development leave NSB well positioned for future growth.

Results:

Total revenues were up 8% to US\$46.0 million (2006: \$42.5 million) with North American revenues up 9% to US\$44.3 million (2006: US\$40.6 million).

Operating profit increased 46% to \$10.1 million (2006: \$6.9 million) on a statutory basis. However, we believe a better measure of the Group's progress is adjusted operating profit which eliminates the impact of redundancy costs (2007: nil; 2006: \$2.2 million), the impact of capitalising and amortising development costs (2007: \$0.1 million expense; 2006: \$0.8 million credit) and the impact of share based payment expense (2007: \$0.3 million; 2006: \$0.1 million). On this basis, adjusted operating profit increased 23% to \$10.5 million (2006: \$8.5 million) reflecting the strong performance of the North American business, particularly services and support.

Our costs remained under tight control increasing just 1% to \$31.6 million, before hardware purchase and redundancy costs (2006: \$31.2 million). Our cost base is impacted by currency. Most of our revenues are in US dollars and this is the Group's reporting currency whereas a substantial proportion of the Group's costs are in Canadian dollars. Currency movements did not have a material impact on comparative first half results although the strengthening of the Canadian dollar against the US dollar since May 2007 will have a negative impact on full year results.

Adjusted basic earnings per share has been reported because, in the Board's view, it is the most relevant measure of EPS. Adjusted basic EPS is profit before the impact of currency movements on Canadian dollar deferred tax assets (both years) and redundancy and separation costs in 2006 divided by the weighted average number of shares in issue. EPS calculated on this basis was up 11% to 2.45 cents (equivalent to 1.24p) (2006: 2.20 cents or 1.19p). Basic EPS increased 53% to 2.73 cents (1.38p) (2006: 1.79 cents (0.97p)).

Operating cash flow continues to be good. Cash balances at the period end are up \$1.3 million to \$34.6 million (31 December 2006: \$33.2 million) after paying dividends of \$4.1 million and funding provisions previously accrued for surplus facilities, redundancies and separation costs totalling \$2.4 million.

Outlook:

The first half of 2007 was a period of good progress. We have a clear growth strategy and are already starting to realise the benefit of its increasingly international focus. Our pipelines and order books remain strong and, notwithstanding adverse currency movements, we look forward with confidence to reporting further progress in the second half."

Since the announcement of the interim results on 11 September 2007 NSB has continued to trade materially in line with the NSB Board's expectations.

For the full text of the NSB interim results announced on 11 September 2007, please refer to NSB's website (www.nsbgroup.com) or Part B of Appendix II of this document.

Further financial information on NSB is contained in Appendix II to this document.

8. Reasons for the Proposals

The Epicor Directors believe that a combination of NSB and Epicor will create a leading provider of software applications to the specialty retail market and will establish the company as a leader in POS solutions. The Epicor Directors further believe that the increased breadth of products, additional market focus and opportunity and new cross-selling opportunities resulting from the Transaction should provide significant benefits for customers and employees of both companies.

Growth and integration opportunities

Epicor has historically supplemented its organic growth through the efficient integration of strategic acquisitions of companies with complementary technology, customers and geographies. Epicor has a proven track record in leveraging the strengths of its acquisitions and realising operating synergies.

Epicor's acquisitions of CRS Retail Systems, Scala Business Solutions, ROI Systems and DataWorks over the past nine years demonstrate its success in integrating acquired businesses and products to realise synergies, enhance product offerings, and roll out solutions and services into new markets, customers, and geographies.

The Epicor Directors believe that the integration of NSB with Epicor should produce similar benefits.

Creation of a leading retail industry solution

Epicor's CRS product line targets the retail industry and provides software and services to over 130 leading specialty retailers. These solutions include POS, CRM, merchandising, loss prevention, sales audit, returns management, cross-channel order management, learning solutions, and retail services. The Epicor Directors believe that the combination of this proven product suite with NSB's Connected Retailer suite offering planning, sourcing and product development, merchandising, POS, sales analytics, Store, CRM, EnterpriseExpress, and StoreExpress will create a leading specialty retail sector ERP solution.

Expansion of blue chip customer base

The Transaction will more than double Epicor's existing retail customer base with the combined group expected to have approximately 300 retail customers. Recent high profile customer implementations for NSB include Harrah's, Dillard's, and Mervyns. The combined customer base has limited overlap and will provide an opportunity to cross-sell products, services, and technologies as well as the opportunity to sell enterprise ERP solutions into NSB's customer base.

The Transaction will also result in an enhanced product offering and capabilities for Tier 2, Tier 3 and Tier 4 customers, augmenting Epicor's and NSB's respective strengths with Tier 1 retailers such as Coach and Ann Taylor.

Significant synergies

The combination of Epicor and NSB is expected to generate material synergies from areas such as sales, marketing, support, R&D, and public company cost savings. Epicor also expects to gain ongoing cost benefits through the advantages of scale in areas such as IT, consultancy costs and third party software licences.

Financial impact on Epicor

The acquisition of NSB is expected to be materially accretive to Epicor's non-GAAP earnings per share, cash earnings per share and free cash flow per share for the year ending 31 December 2008 before transaction costs. This statement should not be interpreted to mean that earnings per share will necessarily match or be greater than those for the relevant preceding financial period.

9. Financing the Transaction and cash confirmation

The consideration payable under the Transaction is being funded from Epicor's existing cash resources and from a new senior secured credit facility arranged by Banc of America Securities LLC as sole lead arranger and book manager and with Bank of America, N.A. as administrative agent, and KeyBank National Association as syndication agent. The new credit facility provides Epicor with a secured revolving loan facility in an amount up to US\$100 million and a secured term loan facility in an amount up to US\$100 million. Further details of this credit facility are set out at paragraph 5(a)(v) and 9(a) of Appendix IV of this document.

UBS, financial adviser to Epicor, is satisfied that sufficient resources are available to Epicor to satisfy in full the cash consideration payable to NSB Shareholders under the terms of the Transaction.

10. NSB Share Incentive Schemes

NSB 1998 Share Option Scheme and Long Term Incentive Stock Option Plan for Former Employees of STS Systems ("Discretionary Option Schemes")

All options under the Discretionary Option Schemes are currently exercisable, having been held for more than 3 years and having met relevant vesting and/or performance conditions (as the case may be). A proposal will shortly be made to optionholders under the Discretionary Option Schemes to exercise all outstanding options, and receive Ordinary Shares immediately after the Court sanction of the Scheme but prior to the Scheme Record Time, so that such Ordinary Shares will be subject to and benefit from the terms of the Scheme. Although the proposal extends to all options under the Discretionary Option Schemes, it is unlikely that an option with an exercise price per Ordinary Share above 38.0 pence will be exercised.

NSB Savings-Related Share Option Scheme, NSB Canadian Sharesave Plan and NSB US Sharesave Plan ("Sharesave Schemes")

Options under the Sharesave Schemes are not currently exercisable. Under the rules of the Sharesave Schemes as agreed by NSB Shareholders, outstanding options would not become exercisable until immediately after the Scheme becomes effective. The Ordinary Shares issued to optionholders would, however, not be subject to the Scheme as they would be issued after the Scheme Record Time. To enable optionholders to participate in the Scheme, the rules of the Sharesave Schemes have therefore been amended by the NSB Board (using the powers reserved to them) so that the options can be exercised to the full extent possible immediately after the Court sanction of the Scheme, as is the case with options under the Discretionary Option Schemes. A proposal will shortly be made to optionholders on those terms so that the Ordinary Shares issued to them pursuant to the Sharesave Schemes will be subject to and benefit from the terms of the Scheme.

Optionholders under the Sharesave Schemes are, under the rules of the schemes, only able to exercise their options to the extent that they have saved their exercise price at the date of exercise of the option. Optionholders under the Sharesave Schemes who exercise their options and receive Ordinary Shares immediately after the Court sanction of the Scheme will not be able to receive the full number of Ordinary Shares under option as they will not by then have saved the full amount required to exercise the options in full. As they would have saved the full amount by 1 June 2008, Epicor has decided that it will make a compensatory cash payment to optionholders who accept the proposal to exercise their options immediately after the Court sanction of the Scheme. The cash payment will be equal to the additional profit the optionholders would have made had they exercised their options using savings they could have made in the six months following the Court sanction of the Scheme.

The Scheme will not extend to Ordinary Shares issued, including on the exercise of options under the Discretionary Option Schemes and the Sharesave Schemes, on or after the Scheme Record Time. However, an amendment to the NSB Articles is to be proposed at the General Meeting (and which is set out in the notice of General Meeting in Appendix VII of this document) to the effect that Ordinary Shares issued pursuant to the exercise of options on or after the Scheme Record Time would be automatically transferred to Epicor Retail in consideration for the payment of the same cash consideration as would have been payable under the Scheme had those Ordinary Shares been Scheme Shares.

NSB Long-Term Incentive Plan (the “Long-Term Incentive Plan”)

The Long-Term Incentive Plan was approved by NSB Shareholders in May 2006. Awards were made on 23 March 2007. The Long-Term Incentive Plan provides free Ordinary Shares to participants if, broadly, they remain in employment with the NSB Group until the awards vest and to the extent that performance conditions are met. On a takeover of NSB, the Remuneration Committee of the NSB Board has discretion as to how many Ordinary Shares should be received by participants. The Remuneration Committee has decided, taking into account the recent performance of the Company, the 38.0 pence in cash per Scheme Share payable under the Scheme and the fact that the awards made in 2007 have been the only long-term incentive awards made to senior executives since 2004, that the awards should vest in full.

The NSB employee trust currently holds 862,897 Ordinary Shares in excess of those needed to satisfy awards already granted under the Long-Term Incentive Plan. The Remuneration Committee has resolved in principle that the trustee of the Company’s employee trust be requested to transfer those Ordinary Shares to key executives immediately after the Court sanction of the Scheme, including recommending the transfer of 242,897 Ordinary Shares to David Henning and 160,000 Ordinary Shares to Stuart Mitchell.

Beneficial interests in the relevant number of Ordinary Shares receivable will be transferred immediately after the Court sanction of the Scheme by the Company’s employee trust using Ordinary Shares which it already holds. Participants will therefore hold Ordinary Shares at the Scheme Record Time so that their Ordinary Shares will automatically be subject to and benefit from the terms of the Scheme.

11. The NSB Directors and the effect of the Scheme on their interests

The NSB Directors and the details of their interests (for the purposes of Part 22 of the 2006 Act) in the share capital of NSB are set out in paragraph 3 of Appendix IV to this document. The executive NSB Directors are participants in the NSB Share Incentive Schemes and paragraph 10 above will apply to their interests in such schemes in the same manner as in the case of other participants in the NSB Share Incentive Schemes. Save as disclosed, the effect of the Scheme on such interests of the NSB Directors does not differ from its effect on the like interests of any other person.

12. Implementation Agreement and inducement fee arrangements

NSB and Epicor have entered into the Implementation Agreement which governs their relationship during the period until the Scheme becomes effective, lapses or is withdrawn. Among other things, the parties have agreed to cooperate to implement the Scheme and NSB has entered into certain undertakings concerning the conduct of its business and the provision of certain further information to Epicor during that period.

Details of the inducement fee arrangements contained in the Implementation Agreement are set out in paragraph 10 of Part I of this document.

In the Implementation Agreement, NSB has also agreed with Epicor that if it receives an approach which the NSB Board determines in good faith constitutes a superior proposal, it will notify Epicor of the terms of the competing proposal and shall not withdraw or adversely modify its recommendation of the Proposals unless either (i) Epicor informs NSB that it is not willing to revise the Proposals such that they are no less in value than the competing proposal; (ii) Epicor does not, within 48 hours of being notified of the competing proposal, confirm that it is willing to revise the Proposals such that they are no less in value than the competing proposal; or (iii) Epicor, having confirmed within 48 hours of being notified of the competing proposal that it is willing to revise the Proposals such that they are no less in value than the competing proposal, fails within 96 hours of receipt of such notice to announce the revised Proposals. Epicor Retail has a right to enforce the provisions under the Implementation Agreement.

Further details of the Implementation Agreement and the inducement fee arrangements are set out in paragraph 5(b)(iii) of Appendix IV to this document.

13. United Kingdom taxation

A summary of relevant UK taxation, which is intended as a general guide only, is set out in Appendix III to this document. If you are in any doubt as to your tax position, or if you are subject to tax in a jurisdiction outside the UK, you should consult your independent professional adviser.

14. Overseas shareholders

The implications of the Scheme and the Transaction for Overseas Shareholders may be affected by the laws of the relevant jurisdictions. Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each Overseas Shareholder to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

This document has been prepared for the purposes of complying with English law, the City Code and the Listing Rules and the information disclosed in this document may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of any other jurisdiction.

15. Delisting of Ordinary Shares and re-registration

The last day of dealings in, and for registration of transfers of, Ordinary Shares is expected to be 5 February 2008 (the last Business Day before the Second Court Hearing), following which the Ordinary Shares will be suspended from the Official List and from trading on the London Stock Exchange's market for listed securities.

Prior to the Scheme becoming effective, applications will be made to the UK Listing Authority for the listing of the Ordinary Shares to be cancelled and to the London Stock Exchange for the Ordinary Shares to cease to be admitted to trading on the London Stock Exchange's market for listed securities. Accordingly, if the Court confirms the Capital Reduction on 6 February 2008, delisting is expected to become effective on 8 February 2008.

On the Effective Date, share certificates in respect of Scheme Shares will cease to be valid. In addition, on the Effective Date, entitlements to Scheme Shares held within the CREST system will be cancelled.

It is proposed that, following the Scheme becoming effective, and after the Ordinary Shares have been delisted, NSB will be re-registered as a private company.

16. Settlement

Subject to the Scheme becoming effective, settlement of the cash consideration to which any holder of Scheme Shares is entitled thereunder will be effected within 14 days of the Effective Date in the manner set out below.

Except with the consent of the Panel, settlement of cash consideration to which any Scheme Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme free of any lien, right of set-off, counterclaim or other analogous right to which Epicor Retail may otherwise be, or claim to be, entitled against such Scheme Shareholder.

All documents and remittances sent though the post will be sent at the risk of the person(s) entitled thereto.

Cash consideration where Scheme Shares are held in uncertificated form (that is, in CREST)

On the Effective Date, Scheme Shares held within CREST will be cancelled. NSB Shareholders who hold Scheme Shares in uncertificated form will receive any cash consideration to which they are entitled through CREST by Epicor Retail procuring the creation of an assured payment obligation in favour of the appropriate CREST account through which the relevant NSB Shareholder holds such uncertificated shares in respect of the cash consideration due to him.

As from the Effective Date, each holding of Scheme Shares credited to any stock account in CREST will be disabled and all Scheme Shares will be removed from CREST in due course thereafter.

Epicor Retail reserves the right to pay all or any part of the cash consideration referred to above to all or any NSB Shareholder(s) who holds Scheme Shares in uncertificated form at the Scheme Record Time in the manner referred to in paragraph (b) below if, for any reason, it wishes to do so.

Cash consideration where Scheme Shares are held in certificated form

On the Effective Date, Scheme Shares held in certificated form will be cancelled and share certificates for such Scheme Shares will cease to be valid and should be destroyed.

Settlement of cash consideration due under the Scheme in respect of Scheme Shares held in certificated form will be despatched:

- (a) by first class post, by cheque drawn on a branch of a UK clearing bank; or
- (b) by such other method as may be approved by the Panel.

All such cash payments will be made in Pounds. Payments made by cheque will be payable to the Scheme Shareholder concerned or, in the case of joint holders, to all joint holders. Cheques will be despatched as soon as practicable after the Effective Date and in any event within 14 days after the Effective Date.

17. Action to be taken

Your attention is drawn to paragraph 12 of the letter from the Chairman set out in Part I of this document which explains the actions you should take in relation to the Scheme.

18. Further information

The terms of the Scheme are set out in full in Part III of this document. Your attention is also drawn to the further information contained in this document, including, to the Conditions to the implementation of the Scheme and Transaction in Appendix I, the financial information on the NSB Group in Appendix II, the information on UK taxation in Appendix III and the additional information set out in Appendix IV to this document.

Yours faithfully

Simon Willis

Managing Director

Close Brothers Corporate Finance Limited

PART III
THE SCHEME OF ARRANGEMENT

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

No. 9443 of 2007

IN THE MATTER OF NSB RETAIL SYSTEMS PLC
and
IN THE MATTER OF THE COMPANIES ACT 1985

SCHEME OF ARRANGEMENT
(under section 425 of the Companies Act 1985)

BETWEEN

NSB RETAIL SYSTEMS PLC

and

THE HOLDERS OF SCHEME SHARES
(as hereinafter defined)

PRELIMINARY

- (A) In this Scheme, unless inconsistent with the subject or context, the following expressions bear the following meanings:

2006 Act	the Companies Act 2006
Business Day	any day on which London Stock Exchange plc is open for the transaction of business
Capital Reduction	the proposed reduction of the capital of the Company provided for by this Scheme
certificated or in certificated form	a share or other security which is not in uncertificated form (that is, not in CREST)
City Code	the City Code on Takeovers and Mergers
Companies Act	the Companies Act 1985, as amended, modified, consolidated, re-enacted or replaced from time to time
connected person	has the meaning given to it in sections 252 to 255 of the 2006 Act
Court	the High Court of Justice in England and Wales
Court Meeting	the meeting of the holders of Scheme Shares convened by order of the Court pursuant to section 425 of the Companies Act to consider and, if thought fit, approve (with or without modification) this Scheme, including any adjournment thereof, of which notice is set out in Appendix VI
CREST	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear UK & Ireland in accordance with the Regulations
CREST Manual	the CREST Manual issued by Euroclear UK & Ireland dated May 1996
Effective Date	the date on which an office copy of the order of the Court confirming the Capital Reduction provided for by this Scheme has been delivered to the Registrar of Companies for registration and is registered
Epicor	Epicor Software Corporation, a Delaware company, with its principal offices at 18200 Von Karman Avenue, Suite 1000, Irvine, California 92612
Epicor Retail	Epicor Retail Solutions, Inc.
Euroclear UK & Ireland	Euroclear UK & Ireland Limited
Exchangeable Shares	exchangeable shares in the capital of 513165 N.B. Inc.
Excluded Shares	any Ordinary Shares of which Epicor Retail is the holder or in which Epicor Retail is beneficially interested
holder	a registered holder
members	members of the Company on the register of members at any relevant date
New Ordinary Shares	the new ordinary shares of 2 pence each in the capital of NSB to be issued in accordance with clauses 1.2.1 and 1.2.2 of this Scheme
NSB or the Company	NSB Retail Systems PLC registered in England and Wales with company number 03015908 with its registered office at Parkfield Business Centre, Parkfield House Park Street, Stafford, Staffordshire ST17 4AL, United Kingdom

NSB Articles	the articles of association of NSB as at the date of the Scheme
NSB Share Incentive Schemes	the NSB Long Term Incentive Stock Option Plan for former Employees of STS Systems, the NSB Long-Term Incentive Plan, the NSB 1998 Share Option Scheme, the NSB Savings-Related Share Option Scheme, the NSB U.S. Sharesave Plan and the NSB Canadian Sharesave Plan
Ordinary Shares	ordinary shares of 2 pence each in the capital of the Company
Registrar of Companies	the Registrar of Companies in England and Wales
Scheme	this scheme of arrangement under section 425 of the Companies Act between NSB and the holders of Scheme Shares in its present form or with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by NSB and Epicor Retail
Scheme Record Time	5.00 p.m. on the Business Day immediately prior to the Second Court Hearing
Scheme Shares	<p>(i) the Ordinary Shares in issue at the date of this document;</p> <p>(ii) any Ordinary Shares issued after the date of this document and before the Voting Record Time; and</p> <p>(iii) any Ordinary Shares issued at or after the Voting Record Time and before the Scheme Record Time in respect of which the original or any subsequent holders thereof are, or shall have agreed in writing to be, bound by the Scheme</p> <p>in each case other than any Excluded Shares</p>
uncertificated or in uncertificated form	recorded on the relevant register as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
Voting Record Time	5.00 p.m. on the day which is two days before the date of the Court Meeting or, if the Court Meeting is adjourned, 5.00 p.m. on the day which is two days before the date fixed for the adjourned meeting
(B)	The authorised share capital of the Company at the date of this Scheme is £10,638,985.64 divided into 531,453,939 Ordinary Shares and 99,068,572 special voting shares of 0.01 pence each of which, as at the close of business on 20 December 2007, 380,918,199 Ordinary Shares have been issued and are credited as fully paid and the remainder are unissued and 34,508,249 special voting shares have been issued and are credited as fully paid and the remainder are unissued.
(C)	Epicor Retail was incorporated on 14 December 2007. The authorised share capital of Epicor Retail at the date of this Scheme consists of an unlimited number of common shares without nominal or par value, of which as at the date of this Scheme, one hundred (100) common shares have been issued and the remainder are unissued.
(D)	Epicor Retail has agreed to appear by Counsel on the hearing to sanction this Scheme and to consent thereto and to undertake to the Court to be bound thereby once the Scheme has become effective and to execute and do, or procure to be executed and done, all such documents, acts or things as may be necessary or desirable to be executed or done by it or on its behalf for the purpose of giving effect to this Scheme.

THE SCHEME

PART I

1. Cancellation of shares

- 1.1 The share capital of the Company shall be reduced by cancelling and extinguishing all of the existing Scheme Shares.
- 1.2 Forthwith and contingently upon the reduction of share capital referred to in clause 1.1 taking effect:
 - 1.2.1 the authorised share capital of the Company shall be increased to its former amount by the creation of such number of New Ordinary Shares as is equal to the number of Ordinary Shares cancelled pursuant to clause 1.1; and
 - 1.2.2 the reserve arising in the books of account of the Company as a result of the reduction of share capital referred to in clause 1.1 shall be applied in paying up in full at par all of the New Ordinary Shares created pursuant to clause 1.2.1, which shall be allotted and issued credited as fully paid to Epicor Retail and/or its nominees.

2. Consideration for cancellation of the Scheme Shares

- 2.1 In consideration for the cancellation of the Scheme Shares pursuant to clause 1.1 and the creation and allotment and issue of the New Ordinary Shares as provided for in clause 1.2.1 Epicor Retail shall (subject as hereinafter provided) pay to or for the account of the holders of Scheme Shares (as appearing in the register of members of the Company at the Scheme Record Time):

for every Scheme Share

38.0 pence in cash

3. Payments

- 3.1 As soon as practicable after the Effective Date, and in any event no more than 14 days thereafter, Epicor Retail shall:
 - 3.1.1 in the case of Scheme Shares which at the Scheme Record Time were in certificated form, deliver, or procure the delivery, to the persons entitled thereto of cheques in respect of the consideration due to them; or
 - 3.1.2 in the case of Scheme Shares which at the Scheme Record Time were in uncertificated form, arrange for the creation of an assured payment obligation in favour of the payment bank of the persons entitled thereto in accordance with the CREST assured payment arrangements (as set out in the CREST Manual) in respect of the consideration due to them, PROVIDED THAT Epicor Retail may (if, for any reason it so determines) provide that all or part of such consideration shall be paid by cheque despatched by post.
- 3.2 All deliveries of cheques shall be effected by Epicor Retail by duly posting the same by first-class post in prepaid envelopes addressed to the persons respectively entitled thereto at their respective addresses as appearing in the register of members of the Company or, in the case of joint holders, at the address of that one of the joint holders whose name stands first in such register (except, in either case, as otherwise directed in writing) at the Scheme Record Time.
- 3.3 Neither Epicor Retail nor NSB shall be responsible for any loss or delay in the despatch of the cheques posted in accordance with clauses 3.1 or 3.2 which shall be posted at the risk of the addressee.
- 3.4 All cheques shall be made payable to the person to whom in accordance with the foregoing provisions of this clause 3 the envelope containing the same is addressed and the encashment of any such cheque or the creation of any such assured payment obligation as is referred to in clause 3.1.2 shall be a complete discharge to Epicor Retail for the money represented thereby.
- 3.5 The provisions of this clause 3 shall be subject to any prohibition or condition imposed by law.

4. Certificates and cancellations

With effect from and including the Effective Date:

- 4.1 all certificates representing Scheme Shares shall cease to have effect as documents of title to the shares comprised therein and every holder thereof shall be bound at the request of the Company to deliver up the same to the Company or as it may direct for cancellation; and
- 4.2 in respect of those holders of Scheme Shares holding their shares in uncertificated form, Euroclear UK & Ireland shall be instructed to cancel the entitlements to such Scheme Shares.

5. The Effective Time

- 5.1 This Scheme shall become effective in accordance with its terms as soon as an office copy of the order of the Court sanctioning this Scheme under section 425 of the Companies Act shall have been delivered to the Registrar of Companies for registration and an office copy of the order of the Court confirming under section 137 of the Companies Act the Capital Reduction having been delivered to the Registrar of Companies for registration and having been registered.
- 5.2 Unless this Scheme shall become effective on or before 31 March 2008 or such later date, if any, as Epicor Retail and the Company may agree and the Court may allow, this Scheme shall never become effective.

6. Modification

Epicor Retail and the Company may jointly consent on behalf of all concerned to any modification of, or addition to, this Scheme or to any condition which the Court may approve or impose.

Dated: 21 December 2007

APPENDIX I

CONDITIONS TO THE IMPLEMENTATION OF THE PROPOSALS

1. The Proposals will be conditional upon the Scheme becoming unconditional and being implemented by no later than 31 March 2008 or such later date as, subject to the City Code, NSB and Epicor Retail may agree and (if required) the Court may allow.

The Scheme will be conditional upon:

- (a) approval of the Scheme by a majority in number representing 75 per cent. or more in value of the Scheme Shareholders who are present and voting, either in person or by proxy, at the Court Meeting or at any adjournment of that Meeting;
 - (b) the resolution to be set out in the notice of the General Meeting (namely the Special Resolution) being duly passed by the requisite majority at the General Meeting or at any adjournment of that Meeting; and
 - (c) the sanction (with or without modification (but subject to such modification being acceptable to NSB and Epicor Retail)) of the Scheme and the confirmation of the Capital Reduction by the Court, office copies of the Court Orders and of the minute confirming the Capital Reduction being delivered for registration to the Registrar of Companies in England and Wales and, in the case of the Court Order confirming the Capital Reduction, registration of such Court Order by the Registrar of Companies in England and Wales.
2. All filings have been made and all or any appropriate waiting periods under the United States Hart Scott Rodino Anti-trust Improvements Act of 1976 and the regulations made thereunder having expired, lapsed or been terminated as appropriate in each case in respect of the Proposals and the proposed acquisition of any shares in, or control of, NSB by Epicor Retail.
3. NSB and Epicor Retail have agreed that, subject as stated in paragraph below, application to the Court to sanction the Scheme and to confirm the Capital Reduction will not be made unless the Conditions in paragraphs 1(a), 1(b) and 2 above have been fulfilled or satisfied and, immediately prior to the hearing of the petition to sanction the Scheme (or any adjournment of such hearing), the following conditions are satisfied or waived:
 - (a) save as disclosed, no government or governmental, quasi-governmental, supranational, statutory, regulatory or investigative body, authority, court, trade agency, association or institution or professional or environmental body or any other similar person or body whatsoever in any relevant jurisdiction (each a “**Third Party**”) having decided, without the consent or agreement of Epicor Retail to take, institute, implement or threaten any action, proceedings, suit, investigation, enquiry or reference or having required any action to be taken or information to be provided or otherwise having done anything or having made, proposed or enacted any statute, regulation, order or decision or having done anything which would or might reasonably be expected to (in each case to an extent which is material in the context of the wider NSB Group or wider Epicor Group in each case taken as a whole):
 - (i) make the Proposals or their implementation, or the acquisition or the proposed acquisition by Epicor Retail of any shares or other securities in, or control of, NSB or any of its subsidiaries or subsidiary undertakings or associated undertakings (as defined in the Companies Act) (including any joint venture, partnership, firm or company in which any member of the NSB Group is substantially interested (the “**wider NSB Group**” (and “**member of the wider NSB Group**” shall be construed accordingly)) void, illegal or unenforceable in any relevant jurisdiction, or otherwise directly or indirectly restrain, prohibit, restrict, prevent or delay the same or impose additional conditions or financial or other obligations with respect thereto, or otherwise challenge or interfere therewith;
 - (ii) require, prevent or delay the divestiture or alter the terms envisaged for any proposed divestiture by Epicor or any of its subsidiaries or subsidiary undertakings or associated undertakings (including any joint venture, partnership, firm or company in which any member of the Epicor Group is substantially interested) (the “**wider Epicor Group**” (and “**member of the wider Epicor Group**” shall be construed accordingly)) of any NSB Shares or of any shares in a member of the wider NSB Group;

- (iii) require, prevent or delay the divestiture or alter the terms envisaged for any proposed divestiture by any member of the wider Epicor Group or by any member of the wider NSB Group of all or any portion of their respective businesses, assets or property, or (to an extent which is material in the context of the Proposals or the wider NSB Group concerned taken as a whole) impose any limit on the ability of any of them to conduct their respective businesses (or any of them) or to own or control any of their respective assets or properties or any part thereof;
- (iv) impose any material limitation on, or result in any material delay in, the ability of any member of the wider Epicor Group or any member of the wider NSB Group to acquire, hold or exercise effectively, directly or indirectly, all or any rights of ownership of NSB Shares or any shares or securities convertible into NSB Shares or to exercise voting or management control over any member of the wider NSB Group;
- (v) require any member of the wider Epicor Group and/or of the wider NSB Group to acquire or offer to acquire or repay any shares or other securities in and/or indebtedness of any member of the wider NSB Group owned by or owed to any third party; or
- (vi) impose any material limitation on the ability of any member of the wider Epicor Group or the wider NSB Group to integrate or co-ordinate its business, or any material part of it, with the business of any member of the wider NSB Group or wider Epicor Group respectively;
- (vii) otherwise adversely affect any or all of the businesses, assets, prospects, profits or financial or trading position of any member of the wider NSB Group or any member of the wider Epicor Group,

and all applicable waiting and other time periods during which any Third Party could institute, implement or threaten any such action, proceedings, suit, investigation, enquiry or reference under the laws of any relevant jurisdiction, having expired, lapsed or been terminated;

- (b) all necessary filings and applications having been made and all necessary waiting and other time periods (including any extensions thereof) under any applicable legislation or regulations of any relevant jurisdiction having expired, lapsed or been terminated and all statutory or regulatory obligations in any relevant jurisdiction having been complied with in each case as may be necessary in connection with the Proposals or their implementation or the acquisition or proposed acquisition by Epicor Retail or any member of the wider Epicor Group of any shares or other securities in, or control of, NSB or any member of the wider NSB Group, in each case to the extent the absence thereof would have a material adverse effect in the context of the wider NSB Group or the wider Epicor Group in each case taken as a whole; and all authorisations, orders, recognitions, grants, consents, clearances, confirmations, licences, certificates, permissions and approvals (“**Authorisations**”) necessary for or in respect of the Proposals or the acquisition or proposed acquisition by Epicor Retail of any shares or other securities in, or control of, NSB or the carrying on by any member of the wider NSB Group of its business or in relation to the affairs of any member of the wider NSB Group, in each case to the extent the absence thereof would have a material adverse effect in the context of the wider NSB Group or the wider Epicor Group in each case taken as a whole, having been obtained in terms and in a form reasonably satisfactory to Epicor Retail from all appropriate Third Parties or persons with whom any member of the wider NSB Group has entered into contractual arrangements and all such Authorisations remaining in full force and effect and all filings necessary for such purpose having been made and there being no notice or intimation of any intention to revoke, suspend, restrict or amend or not renew the same; and there being no indication that the renewal costs of any such Authorisation might be higher than the renewal costs for the current Authorisation to an extent material in the context of the wider NSB Group or the wider Epicor Group in each case taken as a whole;
- (c) except as disclosed, there being no provision of any arrangement, agreement, licence or other instrument to which any member of the wider NSB Group is a party or by or to which any such member or any of its respective assets is or are or may be bound, entitled or subject or any circumstance which, in consequence of the making or implementation of the Proposals or the acquisition or proposed acquisition of any shares or other securities in, or control of, NSB or because of a change in the control or management of NSB or otherwise, could reasonably be

expected to result in (to an extent which is material in the context of the wider NSB Group taken as a whole):

- (i) any amount of monies borrowed by or other indebtedness or liabilities actual or contingent of, or any grant available to, any member of the wider NSB Group being or becoming repayable or capable of being declared repayable immediately or prior to its stated maturity date or the ability of any such member to borrow monies or incur any indebtedness being withdrawn or inhibited or capable of being withdrawn or inhibited;
- (ii) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property, assets or interests of any member of the wider NSB Group or any such security (whenever created, arising or having arisen) being enforced or becoming enforceable;
- (iii) any such arrangement, agreement, license or instrument or the rights, liabilities, obligations, or interests of any member of the wider NSB Group under any such arrangement, agreement, licence or instrument (or any arrangement, agreement, licence or instrument relating to any such right, liability, obligation, interest or business) or the interests or business of any such member in or with any other person, firm, company or body being or becoming capable of being terminated or adversely modified or adversely affected or any adverse action being taken or any onerous obligation or liability arising thereunder;
- (iv) any asset or interest of any member of the wider NSB Group being or falling to be disposed of or charged (otherwise than in the ordinary course of trading) or ceasing to be available to any member of the wider NSB Group or any right arising under which any such asset or interest could be required to be disposed of or could cease to be available to any member of the wider NSB Group (otherwise than in the ordinary course of trading);
- (v) any member of the wider NSB Group ceasing to be able to carry on business under any name under which it presently does so;
- (vi) any member of the wider NSB Group and/or the wider NSB Group being required to acquire or repay any shares in and/or indebtedness of any member of the wider NSB Group owed by any third party;
- (vii) any change in or effect on the ownership or use of any intellectual property rights owned or used by any member of the wider Epicor Group;
- (viii) the value or financial or trading position of any member of the wider NSB Group being prejudiced or adversely affected; or
- (ix) the creation of any material liability, actual or contingent, by any such member,

and no event having occurred which, under any provision of any such arrangement, agreement, licence or other instrument, might reasonably be expected to result in any of the events referred to in this Condition 3(c);

- (d) since 31 December 2006 and except as disclosed, no member of the wider NSB Group having:
 - (i) issued or agreed to issue or authorised or proposed the issue of additional shares or securities of any class, or securities convertible into or exchangeable for shares, or rights, warrants or options to subscribe for or acquire any such shares, securities or convertible securities (save for issues between NSB and any of its wholly-owned subsidiaries or between such wholly-owned subsidiaries, save for the exchange of the Exchangeable Shares issued by Exchangeco and save for options as disclosed to Epicor Retail granted under the NSB Share Incentive Schemes before the date of this Announcement or the issue of any NSB Shares allotted upon the exercise of options granted before the date of this Announcement under the NSB Share Incentive Schemes) or redeemed, purchased, repaid or reduced or proposed the redemption, purchase, repayment or reduction of any part of its share capital or any other securities;
 - (ii) recommended, declared, made or paid or proposed to recommend, declare, make or pay any bonus issue, dividend or other distribution whether payable in cash or otherwise other than any distribution by any wholly-owned subsidiary within the NSB Group;

- (iii) save as between members of the NSB Group, effected, authorised, proposed or announced or announced its intention to propose or made any material change in its loan capital;
- (iv) save as between members of the NSB Group, effected, authorised, proposed or announced its intention to propose any merger, demerger, reconstruction, arrangement, amalgamation, commitment or scheme or any acquisition or disposal or transfer of assets or shares (other than in the ordinary course of business) or any right, title or interest in any assets or shares or other transaction or arrangement in respect of itself or another member of the wider NSB Group which in each case would be material in the context of the wider NSB Group taken as a whole;
- (v) save as between members of the NSB Group, acquired or disposed of or transferred (other than in the ordinary course of business) or mortgaged, charged or encumbered any assets or shares or any right, title or interest in any assets or shares (other than in the ordinary course of business) or authorised the same or entered into, varied or terminated or authorised, proposed or announced its intention to enter into, vary, terminate or authorise any agreement, arrangement, contract, transaction or commitment (other than in the ordinary course of business and whether in respect of capital expenditure or otherwise) which is of a loss-making, long-term or unusual or onerous nature or magnitude, or which involves or could involve an obligation of such a nature or magnitude (other than in the ordinary course of trading), in each case which is material in the context of the wider NSB Group taken as a whole;
- (vi) entered into any agreement, contract, transaction, arrangement or commitment which in any case is material in the context of the wider NSB Group taken as a whole;
- (vii) entered into any contract, transaction or arrangement which would be restrictive on the business of any member of the wider NSB Group or the wider Epicor Group or which is or could involve obligations which would or might reasonably be expected to be so restrictive;
- (viii) save for transactions between members of the NSB Group or transactions carried out by members of the NSB Group in the ordinary course of trading, issued, authorised or proposed the issue of or made any change in or to any debentures, or (other than in the ordinary course of trading) incurred or increased any indebtedness or liability, actual or contingent, which is material in the context of the wider NSB Group taken as a whole;
- (ix) been unable or admitted that it is unable to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business or proposed or entered into any composition or voluntary arrangement with its creditors (or any class of them) or the filing at court of documentation in order to obtain a moratorium prior to a voluntary arrangement or, by reason of actual or anticipated financial difficulties, commenced negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness;
- (x) made, or announced any proposal to make, any change or addition to any retirement, death or disability benefit or any other employment-related benefit of or in respect of any of its directors, employees, former directors or former employees in a manner which is material in the context of the wider NSB Group taken as a whole;
- (xi) save as between NSB and its wholly-owned subsidiaries, granted any lease or third party rights in respect of any of the leasehold or freehold property owned or occupied by it or transferred or otherwise disposed of any such property in any case which is material in the context of the wider NSB Group taken as a whole;
- (xii) entered into or materially varied or made any offer (which remains open for acceptance) to enter into or materially vary the terms of any service agreement with any director or senior executive of NSB or any director or senior executive of the wider NSB Group;
- (xiii) taken or proposed any corporate action or had any proceedings started or threatened against it for its winding-up (voluntary or otherwise), dissolution, striking-off or reorganisation or for the appointment of a receiver, administrator (including the filing of any administration application, notice of intention to appoint an administrator or notice of appointment of an administrator), administrative receiver, trustee or similar officer of all or

- any material part of its assets or revenues or for any analogous proceedings or steps in any relevant jurisdiction or for the appointment of any analogous person in any relevant jurisdiction which in any case is material in the context of the NSB Group taken as a whole;
- (xiv) made any amendment to its memorandum or articles of association which is materially prejudicial to the Proposals;
 - (xv) waived or compromised any claim or authorised any such waiver or compromise, save in the ordinary course of business, which is material in the context of the wider NSB Group taken as a whole;
 - (xvi) taken, entered into or had started or threatened against it in a relevant jurisdiction outside England and Wales any form of insolvency proceeding or event similar or analogous to any of the events referred to in Conditions 3(d)(ix) and (xiii) above; or
 - (xvii) agreed to enter into or entered into an agreement or arrangement or commitment or passed any resolution or announced any intention with respect to any of the transactions, matters or events referred to in this Condition 3(d);
- (e) except as disclosed:
- (i) there having been no adverse change or deterioration in the business, assets, financial or trading position or profits or prospects of the wider NSB Group taken as a whole;
 - (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the wider NSB Group is or may become a party (whether as claimant or defendant or otherwise), and no enquiry or investigation by or complaint or reference to any Third Party, against or in respect of any member of the wider NSB Group, having been threatened, announced or instituted or remaining outstanding by, against or in respect of any member of the wider NSB Group which is material in the context of the NSB Group taken as a whole; and
 - (iii) no contingent or other liability having arisen or become apparent or increased which might be likely in either case to have a material adverse effect on the wider NSB Group taken as a whole;
- (f) save as disclosed, Epicor Retail not having discovered:
- (i) that any financial, business or other information concerning NSB or the wider NSB Group which is contained in the information publicly disclosed at any time by or on behalf of any member of the wider NSB Group either publicly or in the context of the Proposals contains a material misrepresentation of fact which has not, prior to the date of this Announcement, been corrected by public announcement through an RIS or omits to state a fact necessary to make the information contained therein not materially misleading in the context of the wider NSB Group taken as a whole;
 - (ii) any information which materially affects the import of any such information as is mentioned in Condition 3(f)(i) to an extent which is material in the context of the wider NSB Group taken as a whole; or
 - (iii) that any member of the wider NSB Group is subject to any liability, contingent or otherwise, which is not disclosed in the annual report and accounts of NSB for the twelve months ended 31 December 2006 or which has otherwise not been fairly disclosed to Epicor Retail by or on behalf of NSB prior to the date of this Announcement and which is material in the context of the wider NSB Group taken as a whole;
- (g) save as disclosed, Epicor Retail not having discovered that:
- (i) there has been a disposal, spillage or leakage of waste or hazardous substance or any substance reasonably likely to impair the environment or harm human health on, or there has been an emission or discharge of any waste or hazardous substance or any substance reasonably likely to impair the environment or harm human health from, any land or other asset now or previously owned, occupied or made use of by any member of the wider NSB Group which would be reasonably likely to give rise to any liability (whether actual or contingent, civil or criminal) or cost on the part of any member of the wider NSB Group which is material in the context of the wider NSB Group taken as a whole;

- (ii) any member of the wider NSB Group has failed to comply with any and/or all applicable legislation or regulations of any relevant jurisdiction with regard to the use, treatment, handling, storage, transport, disposal, spillage, release, discharge, leak or emission of any waste or hazardous substance or any substance reasonably likely to impair the environment or harm human health or animal health or otherwise relating to environmental matters, or that there has otherwise been any such use, treatment, handling, storage, transport, disposal, spillage, release, discharge, leak or emission (whether or not the same constituted a non-compliance by any member of the wider NSB Group with any such legislation or regulations, and wherever the same may have taken place) any of which use, treatment, handling, storage, transport, disposal, spillage, release, discharge, leak or emission would be likely to give rise to any liability (actual or contingent, civil or criminal) or cost on the part of any member of the wider NSB Group which is material in the context of the wider NSB Group taken as a whole;
 - (iii) there is, or is likely to be, for that or any other reason whatsoever, any liability (actual or contingent) on any member of the wider NSB Group to make good, alter, improve, repair, reinstate, clean up or otherwise assume responsibility for any property or any controlled waters now or previously owned, occupied or made use of or controlled by any such past or present member of the wider NSB Group, under any environmental legislation, regulation, notice, circular or order or any government, governmental, quasi-governmental, state or local government, supranational, statutory or other regulatory body, agency, court, association or any other person or body in any relevant jurisdiction which is in any case material in the context of the NSB Group taken as a whole;
 - (iv) circumstances exist whereby a person or class of persons would be reasonably likely to have a claim or claims in respect of any product or process of manufacture or materials used therein now or previously manufactured, sold or carried out by any member of the wider NSB Group, which claim or claims would be reasonably likely to have a material adverse effect on any member of the wider NSB Group to an extent which is material in the context of the wider NSB Group taken as a whole;
 - (v) circumstances exist (whether as a result of the making of the Offer or otherwise) which would be reasonably likely to lead to any third party instituting, or whereby any member of the wider NSB Group would be reasonably likely to be required to institute, an environmental audit or take any other steps which would, in any such case, be reasonably likely to result in any actual or contingent liability to improve or install new plant or equipment or make good, repair, reinstate or clean up any land or other asset now or previously owned, occupied or made use of by any member of the wider NSB Group, which, in any such case, would be material in the context of the wider NSB Group taken as a whole.
4. Epicor Retail reserves the right to waive all or any of the Conditions in paragraph 3 above.
 5. If Epicor Retail is required by the Panel to make an offer for the NSB Shares under Rule 9 of the City Code, Epicor Retail may make such alteration to the terms and conditions of the Transaction as may be necessary to comply with the provisions of the City Code.
 6. Epicor Retail reserves the right to elect to implement the Transaction by way of a takeover offer. In such event, such offer will be implemented on the same terms (subject to appropriate amendments, including (without limitation) an acceptance condition set at 90 per cent. (or such lesser percentage as Epicor Retail may, subject to compliance with the City Code, decide) of the NSB Shares to which such offer relates), so far as applicable, as those which would apply to the Scheme.
 7. Epicor Retail will not invoke any of the Conditions in paragraph 3 unless the circumstances that give rise to the right to invoke the relevant Conditions are of material significance to Epicor Retail in the context of the Transaction.
 8. If the Scheme is effected, NSB Shareholders will be deemed to have confirmed to NSB that the NSB Shares held by them are fully paid and free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and any other rights and interest of any nature whatsoever.
 9. The Transaction will lapse if the proposed acquisition of NSB by Epicor Retail is referred to the Competition Commission before the date set out in Condition 1.

10. For the purpose of these Conditions:

(a) “**disclosed**” means disclosed in:

- (i) any of the documents made available as at 6.00 p.m. on 13 December 2007 in respect of the proposed Transaction in the electronic data room;
- (ii) any other information delivered to an Information Recipient in respect of the Transaction by or on behalf of NSB on or before 6.00 p.m. on 13 December 2007;
- (iii) any public announcement by NSB to a RIS on or before 6.00 p.m. on 13 December 2007;
- (iv) the announcement released on 13 March 2007 by NSB of its preliminary results for the financial year ended 31 December 2006 and on 11 September 2007 by NSB of the unaudited consolidated financial statements of the NSB Group for the six month period ended 30 June 2007; or
- (v) the report and accounts of NSB for the financial year ended 31 December 2006.

(b) “**Information Recipient**” means:

- (i) any director or employee of any member of the Epicor Group; and
- (ii) any professional advisers engaged by any member of the Epicor Group in connection with the Transaction.

11. The Transaction and the Scheme are governed by English Law and will be subject to the exclusive jurisdiction of the English courts and the conditions set out above.

APPENDIX II

FINANCIAL INFORMATION ON THE NSB GROUP

The financial information in this Appendix II is set out in two parts as follows:

PART A: Financial information for the financial years ended 31 December 2006, 31 December 2005 and 31 December 2004, prepared under IFRS.

PART B: Financial information for the six months ended 30 June 2007 and 30 June 2006 together with the financial year ended 31 December 2006, prepared under IFRS.

The financial information set out in this Appendix II for the two years ended 31 December 2006 has been extracted, without material adjustment, from the NSB Annual Report and Accounts 2006 which were presented in US Dollars.

The financial information for the year ended 31 December 2004 expressed in Pounds has been extracted, without material adjustment, from the NSB Annual Report and Accounts 2005.

The financial information for the year ended 31 December 2004 expressed in US Dollars, which has been included in order to facilitate comparison with the figures for 2005 and 2006, has been calculated, for illustrative purposes only, by applying a fixed exchange rate of 1.916 US Dollars to one Pound to the financial information for that year expressed in Pounds.

The financial information for the six month period ended 30 June 2007 and the six month period ended 30 June 2006 has been extracted, without material adjustment, from the NSB Interim Results.

The financial information in this Appendix II does not constitute statutory accounts within the meaning of section 240 of the 2006 Act. The statutory consolidated financial statements of NSB have been delivered to the Registrar of Companies in England and Wales pursuant to section 242 of the 2006 Act. The auditors of NSB have given unqualified reports in respect of the annual accounts of NSB for each of the three years ended 31 December 2006.

PART A: Financial information on NSB Retail Systems PLC for the financial years ended 31 December 2006, 2005 and 2004, prepared under IFRS

Consolidated Income Statement

For the years ended 31 December 2006, 2005 and 2004

	Note	Year Ended 31 December 2006 US \$000	Year Ended 31 December 2005 US \$000	Year Ended 31 December 2004 US \$000	Year Ended 31 December 2004 £000
Revenue					
Continuing operations		87,611	87,944	83,777	43,725
Discontinued operations		—	—	3,207	1,674
Total revenue	2	<u>87,611</u>	<u>87,944</u>	<u>86,984</u>	<u>45,399</u>
Cost of revenue					
Continuing operations		(37,070)	(38,138)	(37,784)	(19,720)
Discontinued operations		—	—	(4,020)	(2,098)
Total cost of revenue	3	<u>(37,070)</u>	<u>(38,138)</u>	<u>(41,804)</u>	<u>(21,818)</u>
Gross profit					
Continuing operations		50,541	49,806	45,993	24,005
Discontinued operations		—	—	(813)	(424)
Total gross profit	2	<u>50,541</u>	<u>49,806</u>	<u>45,180</u>	<u>23,581</u>
Operating expenses before property, employee redundancy and separation costs	2	(31,690)	(31,950)	(33,397)	(17,431)
Property, employee redundancy and separation costs	3, 14	<u>(7,338)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Operating expenses	3	<u>(39,028)</u>	<u>(31,950)</u>	<u>(33,397)</u>	<u>(17,431)</u>
Operating profit before property, employee redundancy and separation costs	2	18,851	17,856	11,783	6,150
Property, employee redundancy and separation costs	3, 14	<u>(7,338)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Operating profit					
Continuing operations	2	11,513	17,856	14,062	7,339
Discontinued operations		—	—	(2,279)	(1,189)
Total operating profit		<u>11,513</u>	<u>17,856</u>	<u>11,783</u>	<u>6,150</u>
Financial income	4	934	560	701	366
Financial expense	4	<u>(398)</u>	<u>(296)</u>	<u>(331)</u>	<u>(173)</u>
Net financial income		<u>536</u>	<u>264</u>	<u>370</u>	<u>193</u>
Profit before tax c/f		<u>12,049</u>	<u>18,120</u>	<u>12,153</u>	<u>6,343</u>

Consolidated Income Statement (Continued)
For the years ended 31 December 2006, 2005 and 2004

	Note	Year Ended 31 December 2006	Year Ended 31 December 2005	Year Ended 31 December 2004	Year Ended 31 December 2004
		US \$000	US \$000	US \$000	£000
Profit before tax b/f		12,049	18,120	12,153	6,343
Income tax (expense)/credit	2, 5	(122)	12,071	222	116
Profit after tax but before gain on sale of discontinued operations		11,927	30,191	12,375	6,459
Gain on sale of discontinued operations . . .		—	—	19,325	10,086
Profit for the year					
Continuing operations		11,927	30,191	14,654	7,648
Discontinued operations		—	—	17,046	8,897
Total profit for the year	2, 7	<u>11,927</u>	<u>30,191</u>	<u>31,700</u>	<u>16,545</u>
All operations:					
Basic earnings per share (<i>U.S. cents</i>)	7	2.91	7.41	7.87	7.87
Diluted earnings per share (<i>U.S. cents</i>)	7	2.87	7.29	7.66	7.66
Supplementary information:					
Basic earnings per share (<i>pence</i>)	7	1.58	4.17	4.10	4.10
Diluted earnings per share (<i>pence</i>)	7	1.56	4.10	4.00	4.00
Continuing Operations:					
Basic earnings per share (<i>U.S. cents</i>)	7	2.91	7.41	3.64	3.64
Diluted earnings per share (<i>U.S. cents</i>)	7	2.87	7.29	3.54	3.54
Supplementary information:					
Basic earnings per share (<i>pence</i>)	7	1.58	4.17	1.90	1.90
Diluted earnings per share (<i>pence</i>)	7	1.56	4.10	1.85	1.85

Consolidated Balance Sheet
As at 31 December 2006 and 2005

	Note	31 December 2006 US \$000	31 December 2005 US \$000
Assets			
Property, plant and equipment	8	13,291	13,286
Intangible assets	9	63,832	56,164
Deferred tax assets	10	11,833	11,827
Total non-current assets		<u>88,956</u>	<u>81,277</u>
Inventories		480	911
Income tax receivable	6	220	210
Trade and other receivables	11	20,317	21,249
Cash and cash equivalents	17	33,246	17,216
Total current assets		<u>54,263</u>	<u>39,586</u>
Total assets		<u><u>143,219</u></u>	<u><u>120,863</u></u>
Equity			
Issued capital	12	14,483	14,036
Share premium	12	33,326	471,341
Exchangeable shares	12	113,956	147,654
Reserves	12	48,763	14,670
Retained losses	12	(113,340)	(567,798)
Total equity		<u>97,188</u>	<u>79,903</u>
Liabilities			
Employee benefits	13	3,216	3,521
Provisions	14	3,868	1,471
Total non-current liabilities		<u>7,084</u>	<u>4,992</u>
Deferred income, trade and other payables	16	34,461	34,205
Provisions	14	3,742	1,270
Other financial liabilities	17	198	—
Income tax payable	6	546	493
Total current liabilities		<u>38,947</u>	<u>35,968</u>
Total liabilities		<u>46,031</u>	<u>40,960</u>
Total equity and liabilities		<u><u>143,219</u></u>	<u><u>120,863</u></u>

Consolidated Statement of Recognised Income and Expense

For the years ended 31 December 2006, 2005 and 2004

	Note	Year Ended 31 December 2006 US \$000	Year Ended 31 December 2005 US \$000	Year Ended 31 December 2004 US \$000	Year Ended 31 December 2004 £000
Actuarial gains/(losses) in defined benefit					
pension plan	13	754	(2,045)	(941)	(491)
Foreign exchange translation differences	12	4,591	(4,164)	(2,629)	(1,372)
Cash flow hedges—effective portion of					
changes in fair value	12	(198)	(203)	(247)	(129)
Net income/(expense) recognised directly in					
equity		5,147	(6,412)	(3,817)	(1,992)
Profit for the period		<u>11,927</u>	<u>30,191</u>	<u>31,700</u>	<u>16,545</u>
Total recognised income and expense for the					
period	12	<u>17,074</u>	<u>23,779</u>	<u>27,883</u>	<u>14,553</u>

Consolidated Statement of Cash Flows
For the years ended 31 December 2006, 2005 and 2004

	Note	Year ended 31 December 2006 US \$000	Year ended 31 December 2005 US \$000	Year ended 31 December 2004 US \$000	Year ended 31 December 2004 £000
Cash flows from operating activities					
Profit for the period		11,927	30,191	31,700	16,545
<i>Adjustments for:</i>					
Depreciation	3, 8	1,298	842	1,038	542
Amortisation of product development costs	3, 9	5,271	5,307	5,177	2,702
Financial income	4	(934)	(560)	(701)	(366)
Financial expense	4	398	296	331	173
Equity-settled share-based payment expenses	3, 15	143	272	253	132
Income tax expense/(credit)	5	122	(12,071)	(222)	(116)
Cash generated from operations before changes in working capital and provisions		18,225	24,277	37,576	19,612
Decrease in trade and other receivables		1,021	1,394	(2,964)	(1,547)
Decrease/(increase) in inventories		431	(376)	(354)	(185)
Decrease in deferred income, trade and other payables		(300)	(8,162)	3,207	1,674
Increase/(decrease) in provisions		4,095	(3,362)	234	122
Cash generated from operations		23,472	13,771	37,699	19,676
Interest paid	4	(8)	(5)	(2,412)	(1,259)
Income tax (payments)/refunds		(149)	393	31	16
Gain on sale of discontinued operations		—	—	(19,325)	(10,086)
Net cash from operating activities		23,315	14,159	15,993	8,347
Cash flows from investing activities					
Interest received	4	688	344	490	256
Disposal of discontinued operations	21	—	(722)	26,755	13,964
Acquisition of property, plant and equipment	8	(1,300)	(10,116)	(303)	(158)
Capitalised product development costs	3, 9	(6,933)	(6,294)	(5,658)	(2,953)
Net cash from investing activities		(7,545)	(16,788)	21,284	11,109
Cash flows from financing activities					
Proceeds from the issue of share capital	12	75	787	609	318
Repayment of borrowings		—	—	(41,211)	(21,509)
Net cash from financing activities		75	787	(40,602)	(21,191)
Net increase/(decrease) in cash and cash equivalents		15,845	(1,842)	(3,325)	(1,735)
Cash and cash equivalents at 1 January		17,216	18,816	25,172	13,138
Effect of exchange rate fluctuations on cash held		185	242	(3,031)	(1,583)
Cash and cash equivalents at 31 December	17	33,246	17,216	18,816	9,820

NOTES TO THE FINANCIAL STATEMENTS

1. Significant accounting policies

NSB Retail Systems PLC (the “Company”) is a company incorporated and domiciled in England and Wales.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the “Group”).

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRS”).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

The majority of the Group’s revenue and approximately one third of the costs are in United States Dollars; therefore this is considered to be the principal operating currency and the most appropriate presentational currency. Accordingly the Group has changed its presentation currency from sterling to United States Dollars. With effect from 1 January 2005, the 2005 figures have been presented in United States Dollars applying the exchange rates below. Income statement amounts have been translated from sterling to United States Dollars using the average rate for the twelve months ended 31 December 2005 where this rate approximates the foreign exchange rates ruling at the dates of the transactions, with the following exception. Overseas tax allowances recognised as an income tax credit were translated using the 31 December 2005 period-end rate, which corresponds to the exchange rate ruling at the time of recognition.

Currency exchange rates (United States Dollar compared to sterling):

	Period-end rate	Average rate (12 months ended)
1 January 2005	1.9160	—
31 December 2005	1.7185	1.8175
31 December 2006	1.9585	1.8395

Judgements made by the directors in the application of these accounting policies, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year, are discussed in Note 20 “Accounting estimates and judgements”.

Measurement Convention

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at their fair value.

Basis of Consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions Eliminated on Consolidation

Intragroup balances, transactions and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Dividends

Dividend distributions to the Company’s shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. Significant accounting policies (Continued)

Foreign Currency

(i) Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the relevant captions of the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

(ii) Financial Statements of Foreign Operations

The assets and liabilities of foreign operations whose functional currency is not the United States Dollar are translated at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of these foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Since 1 January 2004, the group's date of transition to Adopted IFRSs, such differences have been recognised in the translation reserve. Exchange differences arising from this retranslation of foreign operations since 1 January 2004 are recognised directly in a separate component of equity (the translation reserve). These are released to the income statement upon disposal in full or in part.

Classification of Financial Instruments Issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

Investments in debt and equity securities

Investments in subsidiaries are carried at amortised cost less impairment losses.

Derivative Financial Instruments and Hedging

(i) Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below). The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

(ii) Cash Flow Hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement. The associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. When a hedging instrument expires or is sold,

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. Significant accounting policies (Continued)

terminated or exercised, ceases to meet the criteria for hedge accounting, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Financial Guarantee Contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Trade and Other Receivables

Trade and other receivables are measured initially at fair value and then subsequently carried at amortised cost.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Trade and Other Payables

Trade and other payables are measured initially at fair value and then subsequently carried at amortised cost.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement to write off the cost less residual value of each part of an item of property, plant and equipment over their estimated useful lives as follows:

• freehold land	not depreciated
• freehold buildings	straight line over 39-40 years
• computer equipment and software	straight line over 3-5 years
• furniture and fittings	straight line over 5 years

Residual values, estimated useful lives and depreciation methods are re-assessed annually. With effect from 1 January 2006, the Group changed its estimate of the depreciation expense for computer equipment and furniture and fittings. Prior to that date, depreciation was estimated based on declining balances. The impact of this change in accounting estimates had the effect of increasing the depreciation expense by \$0.3m in 2006 year. The impact of this change on future periods is estimated to be similar to that of the current year.

Intangible Assets

(i) Goodwill

Goodwill arises from business combinations prior to 1 January 2004. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. Significant accounting policies (Continued)

(ii) Research and Development

Research expenditure is recognised as an expense as incurred.

Expenditures on product development (relating to design, programming and testing of new or enhanced products) are capitalised as intangible assets if the product or process is technically and commercially feasible and the Group has sufficient resources and intends to complete development. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised product development expenditure is stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Capitalised product development expenditure is amortised over three years from the date they are available for use.

Inventory

Inventory is comprised of finished goods and is stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle.

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

(i) Calculation of Recoverable Amount

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets or cash-generating units is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of Impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. Significant accounting policies (Continued)

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Revenue

Revenue represents the amounts (excluding value added tax) derived from the provision of goods and services to customers. Revenue from licence fees is recognised under the principles of SOP 97-2 under US GAAP, which for the purposes of NSB is consistent with IAS 18. SOP 97-2 requires that where services (e.g. implementation services, providing interfaces with other systems, custom development) are "essential to the functionality" of the software being sold, the licence fee should be recognised over the period the services are delivered on a contract accounting basis. Where services are not essential to the functionality, in accordance with SOP 97-2 licence fees are recognised on delivery if persuasive evidence of an arrangement exists, fees are fixed and determinable, collection of the resulting receivable is probable and vendor-specific objective evidence of fair value for all elements exists.

Revenue from services work is recognised as the work is performed. Income from maintenance agreements is recognised on a straight line basis over the period to which the agreement relates.

Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. No deferred tax asset or liability is recognised in respect of temporary differences associated with investments in subsidiaries as the Group is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Employee Benefits

(i) Defined Contribution Plan

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(ii) Defined Benefit Pension Plan

The Group's net obligation in respect of its defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. Significant accounting policies (Continued)

(at bid price) and any unrecognised past service costs are deducted. The calculation is performed by a qualified actuary using the projected unit credit method. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the group's obligations.

The Group recognises actuarial gains and losses directly into equity in the period they occur.

Share Based Payment Transactions

The Group operates employee share based incentive arrangements which typically include the grant of share options or the right to acquire shares of the Company. IFRS 2 "Share based Payment" requires that the fair value of options granted is recognised as an employee expense with a corresponding increase in equity. In accordance with the transitional provisions in IFRS 1 and IFRS 2, the recognition and measurement principles in IFRS 2 have not been applied to options granted under programmes prior to 7 November 2002 and vested prior to 1 January 2005. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted has been measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that are expected to and do vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Own Shares Held by ESOP Trust

Transactions of the Company-sponsored ESOP trust are treated as being those of the Company and are therefore reflected in the group financial statements. In particular, the trust's purchases of shares in the Company are debited directly to equity.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Expenses

(i) Operating Lease Payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(ii) Net Financing Costs

Net financing costs comprise interest payable, interest on the defined benefit pension plans obligations, interest receivable on funds invested and expected returns on defined benefit pension plans assets.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group operates in one business segment—providing software, hardware, software services and support to the retail industry.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. Significant accounting policies (Continued)

Adopted IFRS Not Yet Applied

On 11 January 2006, the European Commission endorsed IFRS 7 “Financial Statements: Disclosure” which introduces new requirements for disclosures regarding financial instruments and capital. IFRS 7 will be effective for annual periods commencing on or after 1 January 2007, earlier application is allowed. The application of IFRS 7 is not expected to have any impact on the balance sheet and income statements of the Group and Company as they address only disclosure. The Group plans to adopt IFRS 7 from 1 January 2007.

IFRIC 7 (applying the restatement approach under IAS 29), IFRIC 8 (scope of IFRS 2) and IFRIC 9 (Reassessment of embedded derivatives) were endorsed during 2006 and are not expected to have any impact on the balance sheet and income statement of the Group as they are not relevant to NSB.

2. Segment reporting

The Group operates in one business segment—providing software, hardware, software services and support to the retail industry. The Group generates revenues from its North American operations and through its European distributor. Presented below for additional information is an analysis of revenue and gross profit.

	North American Operations		European Distributor		Consolidated	
	2006 US \$000	2005 US \$000	2006 US \$000	2005 US \$000	2006 US \$000	2005 US \$000
Revenue						
Software licences	16,145	15,733	2,358	1,999	18,503	17,732
Software services and support	61,265	59,145	1,120	1,065	62,385	60,210
Hardware sales	6,723	10,002	—	—	6,723	10,002
Revenue	<u>84,133</u>	<u>84,880</u>	<u>3,478</u>	<u>3,064</u>	<u>87,611</u>	<u>87,944</u>
Gross profit	<u>47,371</u>	<u>46,742</u>	<u>3,170</u>	<u>3,064</u>	50,541	49,806
Unallocated expenses					(31,690)	(31,950)
Operating profit before property, employee redundancy and separation costs					18,851	17,856
Property, employee redundancy and separation costs					(7,338)	—
Operating profit					11,513	17,856
Net financial income					536	264
Income tax (expense)/credit					(122)	12,071
Profit for the period					<u>11,927</u>	<u>30,191</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Segment reporting (Continued)

	North American Operations		European Distributor		Consolidated	
	2004 US \$000	2004 £000	2004 US \$000	2004 £000	2004 US \$000	2004 £000
Revenue						
Software licences	10,961	5,721	673	351	11,634	6,072
Software services and support	61,768	32,238	987	515	62,755	32,753
Hardware sales	9,388	4,900	—	—	9,388	4,900
Revenue	<u>82,117</u>	<u>42,859</u>	<u>1,660</u>	<u>866</u>	<u>83,777</u>	<u>43,725</u>
Gross profit	<u>44,334</u>	<u>23,139</u>	<u>1,659</u>	<u>866</u>	<u>45,993</u>	<u>24,005</u>
Unallocated expenses					(31,931)	(16,666)
Operating profit—continuing operations					14,062	7,339
Operating loss—discontinued operations					(2,279)	(1,189)
Operating profit					11,783	6,150
Net financial income					370	193
Income tax (expense)/credit					222	116
Gain on sale of discontinued operations					19,325	10,086
Profit for the period					<u>31,700</u>	<u>16,545</u>

As of 31 December 2006, 2005 and 2004 substantially all of the Group's segment assets and liabilities are attributable to North American operations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Operating Costs

Total operating costs, classified as cost of revenue and operating expenses in the Income Statement, are summarised below.

	Note	Year ended 31 December 2006 US \$000	Year ended 31 December 2005 US \$000	Year ended 31 December 2004 US \$000	Year ended 31 December 2004 £000
Staff costs—salaries, wages, commissions and bonuses		39,574	39,882	45,608	23,804
Staff costs—social security		5,943	5,830	6,087	3,177
Staff costs—defined contribution and defined benefit plans		1,267	1,280	1,389	725
Staff costs—share-based payment transactions		143	272	253	132
Total staff costs		46,927	47,264	53,337	27,838
Hardware cost of sales		5,590	7,772	7,605	3,969
Third party maintenance costs		5,430	6,258	6,855	3,578
Depreciation	8	1,298	842	1,038	542
Product development capitalised	9	(6,933)	(6,294)	(5,658)	(2,953)
Product development amortised	9	5,271	5,307	5,177	2,702
Foreign exchange gain		(443)	(600)	(1,320)	(689)
Audit fees		256	238	230	120
Fees receivable by the auditors and their associates in respect of:					
Auditing of accounts of associates of the Company pursuant to legislation		20	20	—	—
Taxation services		71	158	—	—
2004 total		—	—	335	175
Impairment losses/(net loss reversal) on trade receivables		206	(85)	724	378
Property, employee redundancy and separation costs	14	7,338	—	—	—
Other operating costs		11,067	9,208	6,877	3,589
Total operating costs		76,098	70,088	75,200	39,249
Relating to discontinued operations (principally staff costs)		—	—	(5,486)	(2,863)
Total operating costs—continuing operations		76,098	70,088	69,714	36,386
<i>Classified as cost of revenue</i>		37,070	38,138	37,784	19,720
<i>Classified as operating expenses</i>		39,028	31,950	31,930	16,666

Total product development costs incurred during the year, net of tax credits, were \$17,276,000 (2005: \$16,761,000; 2004: \$16,685,000 (£8,708,000)).

The average number of persons employed (including directors) during the year, analysed by category, was as follows:

	2006	2005	2004
Number of employees			
Development	191	218	222
Sales and services	365	386	444
Management and administration	65	74	76
	<u>621</u>	<u>678</u>	<u>742</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Operating Costs (Continued)

The total emoluments of the directors for the year ended 31 December 2006 were £848,193 (2005: £639,014; 2004: £1,043,138) and in addition contributions were made to the personal pension schemes of the executive directors of £66,529 (2005: £40,990; 2004: £40,200).

4. Net Financial Income

	2006 US \$000	2005 US \$000	2004 US \$000	2004 £000
Financial income				
Interest income	688	344	490	256
Expected return on defined benefit pension plan assets (see note 13)	246	216	211	110
	<u>934</u>	<u>560</u>	<u>701</u>	<u>366</u>
Financial expense				
Interest expense	(8)	(5)	(59)	(31)
Interest on defined benefit pension plan obligations (see note 13)	(390)	(291)	(272)	(142)
	<u>(398)</u>	<u>(296)</u>	<u>(331)</u>	<u>(173)</u>
Net financial income	<u>536</u>	<u>264</u>	<u>370</u>	<u>193</u>

5. Income tax expense

Recognised in the Income Statement

	2006 US \$000	2005 US \$000	2004 US \$000	2004 £000
Current Tax Expense				
Current year—UK	68	79	—	—
Current year—overseas	—	—	(134)	(70)
Adjustments for prior years—UK	60	64	—	—
Current tax expense	<u>128</u>	<u>143</u>	<u>(134)</u>	<u>(70)</u>
Deferred Tax Credit				
Origination and reversal of temporary differences—overseas . . .	—	(387)	(88)	(46)
Benefit of tax allowances recognised—overseas	(4,549)	(11,827)	—	—
Effect of tax allowances utilised—overseas	4,543	—	—	—
Deferred tax credit	<u>(6)</u>	<u>(12,214)</u>	<u>(88)</u>	<u>(46)</u>
Income tax expense/(credit)	<u>122</u>	<u>(12,071)</u>	<u>(222)</u>	<u>(116)</u>

Reconciliation of Effective Tax Rate

	2006 US \$000	2005 US \$000	2004 US \$000	2004 £000
Profit before tax	12,049	18,120	12,153	6,343
Tax using the UK corporation tax rate of 30%	3,615	5,436	3,646	1,903
Effect of tax allowances utilised	—	(5,224)	(3,815)	(1,991)
Effect of tax allowances recognised	(4,549)	(11,827)	—	—
Other items	996	(520)	(53)	(28)
Adjustments for prior years	60	64	—	—
	<u>122</u>	<u>(12,071)</u>	<u>(222)</u>	<u>(116)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Income tax receivable and payable

Income tax receivable of \$220,000 (2005: \$210,000; 2004: \$659,000 (£344,000)) represents the amount of taxes recoverable in respect of current and prior periods that exceed payments. Income tax payable of \$546,000 (2005: \$493,000; 2004: \$462,000 (£241,000)) represents the amount of income taxes payable in respect of current periods.

7. Earnings per share

Basic and diluted earnings per share are calculated by dividing profit for the year by the weighted average number of ordinary shares at end of year and the weighted average number of ordinary shares (diluted) at end of year, respectively. Due to the nature of property, employee redundancy and separation costs recognised in 2006, as well as the significant non-cash impact of the benefit of tax allowances recognised in 2005, the directors have presented an adjusted earnings per share calculation. The calculations of basic, diluted and adjusted basic and diluted earnings per share as well as weighted average number of ordinary shares at end of year are presented below.

	Year ended 31 December 2006	Year ended 31 December 2005
	US \$000	US \$000
Profit for the year	11,927	30,191
Property, employee redundancy and separation costs	7,338	—
Profit impact of tax allowances recognised, net of tax allowances utilised	(6)	(11,827)
Adjusted profit for the year	19,259	18,364
Basic earnings per share (U.S. cents)	2.91	7.41
Diluted earnings per share (U.S. cents)	2.87	7.29
Adjusted basic earnings per share (U.S. cents)	4.70	4.51
Adjusted diluted earnings per share (U.S. cents)	4.64	4.43
Basic earnings per share (pence)	1.58	4.17
Diluted earnings per share (pence)	1.56	4.10
Adjusted basic earnings per share (pence)	2.56	2.48
Adjusted diluted earnings per share (pence)	2.52	2.44

	Year ended 31 December 2004			Year ended 31 December 2004		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	US \$000	US \$000	US \$000	£000	£000	£000
Operating profit	14,062	(2,279)	11,783	7,339	(1,189)	6,150
Net financial income	370	—	370	193	—	193
Income tax credit	222	—	222	116	—	116
Gain on sale of discontinued operations	—	19,325	19,325	—	10,086	10,086
Profit for the year	14,654	17,046	31,700	7,648	8,897	16,545
Basic earnings per share	3.64	4.23	7.87	1.90	2.20	4.10
Diluted earnings per share	3.54	4.12	7.66	1.85	2.15	4.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Earnings per share (Continued)

Weighted Average Number of Ordinary Shares

	Year Ended 31 December 2006	Year Ended 31 December 2005	Year Ended 31 December 2004
	In thousands of shares		
Issued ordinary shares at 1 January	366,431	353,174	325,476
Effect of exchangeable shares issued during the year or outstanding	46,008	56,229	78,229
Effect of own shares held	(3,463)	(3,463)	(3,463)
Effect of shares issued from the exercise of share options	755	1,298	2,969
Weighted average number of ordinary shares	409,731	407,238	403,211
Effect of share options on issue	5,258	7,149	10,750
Weighted average number of ordinary shares (diluted)	414,989	414,387	413,961

8. Property, plant and equipment

	Freehold Land and Buildings	Computer Equipment and Software	Furniture and Fittings	Total
	In thousands of U.S. Dollars			
Cost				
Balance at 1 January 2005	1,496	6,457	3,043	10,996
Additions	9,680	434	2	10,116
Disposals	—	(154)	(89)	(243)
Effect of movements in foreign exchange	(255)	(69)	(19)	(343)
Balance at 31 December 2005	10,921	6,668	2,937	20,526
Additions	443	855	2	1,300
Disposals	—	(541)	(147)	(688)
Balance at 31 December 2006	11,364	6,982	2,792	21,138
Depreciation and impairment losses				
Balance at 1 January 2005	333	3,711	2,667	6,711
Depreciation charge for the year	84	576	182	842
Disposals	—	(154)	(89)	(243)
Effect of movements in foreign exchange	2	(58)	(14)	(70)
Balance at 31 December 2005	419	4,075	2,746	7,240
Depreciation charge for the year	250	875	173	1,298
Disposals	—	(517)	(174)	(691)
Balance at 31 December 2006	669	4,433	2,745	7,847
Carrying amounts				
At 1 January 2005	1,163	2,746	376	4,285
At 31 December 2005	10,502	2,593	191	13,286
At 31 December 2006	10,695	2,549	47	13,291

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Intangible assets

	<u>Goodwill</u>	<u>Product Development</u>	<u>Total</u>
	<u>In thousands of U.S. Dollars</u>		
Cost			
Balance at 1 January 2005	47,942	17,300	65,242
Product development capitalised	—	6,294	6,294
Effect of movements in foreign exchange	(4,942)	(700)	(5,642)
Balance at 31 December 2005	<u>43,000</u>	<u>22,894</u>	<u>65,894</u>
Product development capitalised	—	6,933	6,933
Effect of movements in foreign exchange	6,006	—	6,006
Balance at 31 December 2006	<u>49,006</u>	<u>29,827</u>	<u>78,833</u>
Amortisation			
Balance at 1 January 2005	—	5,072	5,072
Amortisation charge for the year	—	5,307	5,307
Effect of movements in foreign exchange	—	(649)	(649)
Balance at 31 December 2005	<u>—</u>	<u>9,730</u>	<u>9,730</u>
Amortisation charge for the year	—	5,271	5,271
Effect of movements in foreign exchange	—	—	—
Balance at 31 December 2006	<u>—</u>	<u>15,001</u>	<u>15,001</u>
Carrying Amounts			
At 1 January 2005	<u>47,942</u>	<u>12,228</u>	<u>60,170</u>
At 31 December 2005	<u>43,000</u>	<u>13,164</u>	<u>56,164</u>
At 31 December 2006	<u>49,006</u>	<u>14,826</u>	<u>63,832</u>

Amortisation is included in operating expenses in the Income Statement. Goodwill relates to the Group's investment in NSB Retail Solutions Inc. (formerly STS Systems Ltd.), the centre of its North American operations. The goodwill impairment test is based on the value in use as measured by the cash flows generated from these operations. The value in use calculation is based on the actual cash flows for 2006 adjusted for conservative assumed growth rates in future years and discounted at 10%. This recoverable amount significantly exceeds the carrying amount of goodwill.

10. Deferred tax assets

Recognised Group deferred tax assets are attributable to the following:

	<u>2006</u>	<u>2005</u>
	<u>In thousands of U.S. Dollars</u>	
Asset/(Liability)		
Property, plant and equipment	(742)	(1,126)
Capitalised product development	(5,228)	(4,023)
Unutilised tax allowances	17,669	16,887
Other items	134	89
Net deferred tax assets	<u>11,833</u>	<u>11,827</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Deferred tax assets (Continued)

Group deferred tax assets have not been recognised in respect of the following items:

	2006	2005
	In thousands of U.S. Dollars	
Temporary differences arising from intangible assets	24,319	28,518
Defined benefit pension obligations	958	1,057
Tax value of loss carry forwards	2,428	2,906
Capital and non trade losses within UK group companies	16,368	14,362
Other items	1,917	1,779
Unrecognised deferred tax assets	<u>45,990</u>	<u>48,622</u>

The Group tax losses expire between 2021 and 2026. The deductible temporary differences do not expire under current tax legislation. Net tax assets of \$11.8m relating to tax allowances in Canada have been recognised as it is probable that future taxable profits will be available against which the Group can utilise these benefits. Further tax assets have not been recognised on additional tax allowances in Canada (included above under temporary differences arising from intangible assets) as their recoverability is too far in the future to be considered probable. Tax assets have not been recognised on capital and non trade losses within UK Group companies as the likelihood of them being used is remote.

Movements in Group deferred tax during the year are summarised below:

	At 1 January 2006	Recognised in Income	At 31 December 2006
	In thousands of U.S. Dollars		
Asset/(Liability)			
Property, plant and equipment	(1,126)	384	(742)
Capitalised product development	(4,023)	(1,205)	(5,228)
Unutilised tax allowances	16,887	782	17,669
Other items	89	45	134
Recognised net deferred tax assets	<u>11,827</u>	<u>6</u>	<u>11,833</u>

Movement in deferred tax during the prior year are summarised below:

	At 1 January 2005	Recognised in Income	Effect of Movements in Foreign Exchange	At 31 December 2005
	In thousands of U.S. Dollars			
Asset/(Liability)				
Property, plant and equipment	(696)	(497)	67	(1,126)
Capitalised product development	(3,691)	(713)	381	(4,023)
Unutilised tax allowances	3,958	13,336	(407)	16,887
Other items	19	87	(17)	89
Recognised net deferred tax assets/(liabilities)	<u>(410)</u>	<u>12,213</u>	<u>24</u>	<u>11,827</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Trade and other receivables

	2006	2005
	In thousands of U.S. Dollars	
Trade receivables	10,609	9,634
Prepayments and accrued income	8,457	9,826
Other receivables	1,251	1,789
	<u>20,317</u>	<u>21,249</u>

12. Capital and reserves

Reconciliation of Movements in Group Capital and Reserves

	Share Capital	Share Premium	Exchangeable Shares	Translation Reserve	Cash Flow Hedging Reserve	Merger Reserve	Warrant Reserve	Capital Reserve	Special Reserve	Retained Losses	Total Equity
	In thousands of U.S. Dollars										
At 1 January 2005	13,535	438,111	180,455	(2,629)	203	6,970	5,250	9,243	—	(596,066)	55,072
Total recognised income and expense	—	—	—	(4,164)	(203)	—	—	—	—	28,146	23,779
Change in relation to share related awards	—	—	—	—	—	—	—	—	—	(150)	(150)
Shares issued	109	821	—	—	—	—	—	—	—	—	930
Exchangeable shares converted	392	32,409	(32,801)	—	—	—	—	—	—	—	—
Transfer to capital reserve	—	—	—	—	—	—	(3,600)	3,600	—	—	—
Equity settled share-based payment transactions, net of tax	—	—	—	—	—	—	—	—	—	272	272
At 31 December 2005	<u>14,036</u>	<u>471,341</u>	<u>147,654</u>	<u>(6,793)</u>	<u>—</u>	<u>6,970</u>	<u>1,650</u>	<u>12,843</u>	<u>—</u>	<u>(567,798)</u>	<u>79,903</u>
Total recognised income and expense	—	—	—	4,591	(198)	—	—	—	—	12,681	17,074
Cancellation of share premium account	—	(471,341)	—	—	—	—	—	—	29,700	441,641	—
Change in relation to share related awards	—	—	—	—	—	—	—	—	—	(7)	(7)
Shares issued	45	80	—	—	—	—	—	—	—	—	125
Exchangeable shares converted	402	33,246	(33,698)	—	—	—	—	—	—	—	(50)
Transfer to capital reserve	—	—	—	—	—	—	(262)	262	—	—	—
Equity settled share-based payment transactions, net of tax	—	—	—	—	—	—	—	—	—	143	143
At 31 December 2006	<u>14,483</u>	<u>33,326</u>	<u>113,956</u>	<u>(2,202)</u>	<u>(198)</u>	<u>6,970</u>	<u>1,388</u>	<u>13,105</u>	<u>29,700</u>	<u>(113,340)</u>	<u>97,188</u>

Authorised, issued and fully paid share capital at year end is summarised as follows:

	2006 US \$000	2006 £000	2005 US \$000	2005 £000
Capital				
Authorised				
531,453,939 (2005: 531,453,939) ordinary shares of 2p each	<u>20,365</u>	<u>10,629</u>	<u>20,365</u>	<u>10,629</u>
Issued and fully paid				
378,185,570 (2005: 366,430,739) ordinary shares of 2p each	<u>14,483</u>	<u>7,564</u>	<u>14,036</u>	<u>7,329</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Capital and reserves (Continued)

Changes in ordinary share capital during the year were:

	2006 Number of shares in issue	2005 Number of shares in issue
Ordinary Share Capital		
At 1 January	366,431	353,174
Employees exercising share options and warrants	1,255	3,036
Conversion of exchangeable shares	10,500	10,221
At 31 December	<u>378,186</u>	<u>366,431</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Exchangeable Shares

At the time of the STS acquisition on 29 December 2000, 513165 N.B Inc, a wholly owned Canadian subsidiary of NSB, was established primarily to allow the STS Vendors to participate in the future performance of NSB in a tax efficient manner through holding Canadian securities, i.e. the exchangeable shares, rather than taking the consideration directly in NSB shares.

The exchangeable shares issued carry economic rights and benefits equivalent to those carried by existing NSB shares and are convertible into NSB ordinary shares on a one-for-one basis under an agreement between NSB Retail Systems PLC and the holders of the exchangeable Shares. Consequently, the instrument under which the exchange will be effected has been treated as NSB shareholders' equity and earnings per share calculations are made and presented as if the exchangeable shares were ordinary NSB shares.

At 31 December 2006, there were 35.5 million exchangeable shares outstanding, valued at their fair market value on the day the STS transaction completed of \$114.0m (£59.5m). These shares are convertible at the option of the holder into NSB ordinary shares on a one-for-one basis, at any time until December 2025, unless there is a change of control of NSB or the exchangeable shares in issue fall below 10 million. The exchangeable shares hold equivalent voting rights to NSB ordinary shares.

Translation Reserve

Cumulative translation differences arising from the translation of United Kingdom operations into United States Dollar are classified as a separate component of equity.

Cash Flow Hedging Reserve

The Cash Flow Hedging Reserve results from recognising gains or losses on derivative financial instruments designated and effective as a hedge of the variability of cash flows of a highly probable forecasted transaction. See also foreign currency risk in Note 17 "Financial Instruments".

Own Shares

Own Shares with a value of \$1,894,000 (£989,000) at 1 January 2005 and 31 December 2005 and 2006 are NSB Retail Systems PLC shares held by the Company's Employee Benefit Trust and are included within the retained earnings (losses). The shares are carried at cost. There were 3,462,897 own shares held at 1 January 2005, 31 December 2005 and 2006.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Capital and reserves (Continued)

Merger Reserve

The merger reserve results from historic share-for-share purchases of companies whereby the share premium arising from the transactions is taken to the merger reserve as required under s131 of the Companies Act 1985.

Warrant Reserve

The warrant reserve arises from purchase options issued at the time of the STS acquisition as part of the purchase consideration for STS. The options were issued at the request of the STS vendors by way of a “thank you” to key employees and were the most tax effective manner by which the STS vendors could share the purchase consideration with these key employees. At 31 December 2006, there are 462,732 options outstanding which are exercisable at 2p each between January 2007 and December 2010.

Capital Reserve

The transfer from the warrant reserve to the capital reserve results from the exercise of 86,006 and 1,200,055 “thank you” share options during 2006 and 2005, respectively.

Special Reserve

The Company cancelled its share premium account during the period. This was confirmed by an Order of the High court of Justice, Chancery Division, on 16 June 2006. As part of this order, the Company transferred \$29,700,000 (£15,503,000) to the Special Reserve (to be treated as undistributable reserves), such amount being the difference between the share premium cancelled and the accumulated losses in the Company at 16 June 2006.

Dividends

The directors recommend the payment of a dividend of 1.0 US cent per share (2005: nil).

13. Employee benefits

The Group operates a defined benefit plan that provides pension benefits for certain employees upon retirement. As of 1 March 1997, the plan was closed to new entrants. The plan participants are no longer employed by the Group.

The history of the plan for the current and prior years is as follows:

	2006	2005	2004	2003	2002
	<u>In thousands of U.S. Dollars</u>				
Present value of funded obligations	8,823	8,106	6,348	4,713	4,455
Fair value of plan assets	<u>(5,607)</u>	<u>(4,585)</u>	<u>(4,675)</u>	<u>(4,043)</u>	<u>(3,723)</u>
Recognised liability for defined benefit obligation	<u>3,216</u>	<u>3,521</u>	<u>1,673</u>	<u>670</u>	<u>732</u>
Experience adjustments on plan liabilities*	(22)	22	255	195	(132)
Experience adjustments on plan assets	(27)	205	422	(75)	(339)

* These items represent an increase/(decrease) in liabilities/assets due to adverse experience.

With effect from July 2006, the Group commenced funding this liability by contributing \$23,000 per month to the plan.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Employee benefits (Continued)

Movements in Present Value of Defined Benefit Obligation

	2006	2005	2004	2004
	US \$000	US \$000	US \$000	£000
At 1 January	8,106	6,348	4,713	2,460
Current service cost	—	18	29	15
Interest cost	390	291	272	142
Actuarial (gains)/losses recognised directly in equity	(780)	2,261	1,363	711
Benefits paid	—	(18)	(29)	(15)
Effect of movements in foreign exchange	1,107	(794)	—	—
At 31 December	<u>8,823</u>	<u>8,106</u>	<u>6,348</u>	<u>3,313</u>

Movements in Fair Value of Plan Assets

	2006	2005	2004	2004
	US \$000	US \$000	US \$000	£000
At 1 January	4,585	4,675	4,042	2,110
Expected returns on plan assets	246	216	211	110
Actuarial (losses)/gains recognised directly in equity	(26)	216	422	220
Contributions by employer	138	—	29	15
Benefits paid	—	(18)	(29)	(15)
Effect of movements in foreign exchange	664	(504)	—	—
At 31 December	<u>5,607</u>	<u>4,585</u>	<u>4,675</u>	<u>2,440</u>

Expenses Recognised in the Income Statement

	2006	2005	2004	2004
	US \$000	US \$000	US \$000	£000
Current service cost (included in operating expenses)	—	18	29	15
Interest on obligation (included in financial expenses)	390	291	272	142
Expected return on plan assets (included in financial income) . . .	(246)	(216)	(211)	(110)
Total expenses recognised in the income statement	<u>144</u>	<u>93</u>	<u>90</u>	<u>47</u>

The scheme has no active members and is not admitting new members. The current service cost in 2005 and 2004 related to the expenses of administering the scheme.

Cumulative net actuarial losses since 1 January 2004 recognised directly in equity at 31 December 2006 are \$2,023,000 (2005: \$2,777,000; 2004: \$940,000 (£491,000)).

Principal actuarial assumptions used to calculate the liability for defined benefit obligation at the balance sheet date (expressed as weighted averages):

	2006	2005	2004
Discount rate at 31 December	4.90%	4.50%	5.25%
Expected return on plan assets at 31 December	5.50%	5.10%	5.50%
Future pension increases	2.90%	3.00%	2.75%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Employee benefits (Continued)

The plan assets include equities, bonds, annuities and other investments being held separately from assets of the group. The fair value of the plan assets and the return on those assets were as follows:

	2006 Fair Value	2005 Fair Value	2004 Fair Value	2004 Fair Value
	US \$000	US \$000	US \$000	£000
Equity	1,514	1,146	1,100	574
Bonds	2,747	2,201	1,552	810
Property	729	596	638	333
Cash	56	92	881	460
Annuity policies	561	550	504	263
Total	<u>5,607</u>	<u>4,585</u>	<u>4,675</u>	<u>2,440</u>
Actual return on plan assets	<u>254</u>	<u>314</u>	<u>305</u>	<u>159</u>

The expected long-term rate of return on assets assumption is chosen based on the facts and circumstances that existed at the measurement date, and the mix of assets held at that date.

In valuing the liabilities of the pension fund at 31 December 2006, mortality assumptions have been made based on recent mortality tables and considering the year of birth of the individuals in the plan.

14. Provisions

	UK Facilities	Employee Redundancy	Separation Costs	Total
	In thousands of U.S. Dollars			
Balance at 1 January 2005	5,085	1,468	—	6,553
<i>Classified as current liabilities</i>	2,236	1,468	—	3,704
<i>Classified as non-current liabilities</i>	2,849	—	—	2,849
Movements in 2005:				
Payments	(2,108)	(1,258)	—	(3,366)
Effect of movements in foreign exchange	(406)	(40)	—	(446)
At 31 December 2005	<u>2,571</u>	<u>170</u>	<u>—</u>	<u>2,741</u>
<i>Classified as current liabilities</i>	1,100	170	—	1,270
<i>Classified as non-current liabilities</i>	1,471	—	—	1,471
Movements in 2006:				
Transfer from opening trade and other payables	465	230	—	695
Additions to provisions	3,311	2,894	1,133	7,338
Payments	(1,458)	(2,223)	—	(3,681)
Effect of movements in foreign exchange	508	9	—	517
At 31 December 2006	<u>5,397</u>	<u>1,080</u>	<u>1,133</u>	<u>7,610</u>
<i>Classified as current liabilities</i>	1,813	796	1,133	3,742
<i>Classified as non-current liabilities</i>	3,584	284	—	3,868

The provisions arise from the cost of UK facilities surplus to Group requirements, employee redundancy and accrued separation costs associated with the departure of the Group's Chief Executive Officer. The accrued separation costs provision is recorded on the books of the Company.

The Group has four leased office facilities in the UK (see also Note 18 "Operating Leases"). The Group estimates the net costs of these leased facilities and establishes a provision to cover expected net costs over the lease terms. Additions to the UK facilities provision in 2006 were primarily the result of changes to estimates regarding sublease cash inflows on the four facilities. One of the leased facilities has a term expiring in 2007; another expires in 2008. Neither of these two facilities is currently sublet and a full

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Provisions (Continued)

provision has been made to cover expected net costs over the remaining lease terms. The two other facilities have lease terms that expire in 10 years and are currently leased or partially leased. To the extent that current expectations regarding subletting are not realised, additional provisions may be required. See also Note 20 "Accounting estimates and judgements".

The provision for employee redundancy relates to personnel restructuring. Additions to the provision during 2006 were the result of employee terminations.

15. Share-based payments

The Group has share option programmes that entitle key management personnel and employees to purchase shares in the Company. In accordance with these programmes, options are exercisable at the market price of the shares at the date of grant.

The terms and conditions of stock option grants are as follows, whereby all options are settled by physical delivery of shares. The contractual life is 5.5 years from issue for the SAYE scheme options and 10 years for all other options.

Grant Date/Employees Entitled	Number of Options	Vesting Conditions	Exercise Price (pence)
1999—Management and Employees . . .	447,000	Vested	16.0-45.0
2000—Management	1,819,000	Vested	152.5-270.2
2001—Management and Employees . . .	160,000	Vested	167.5
		EPS growth; vesting over 3 to	
2001—Management and Employees . . .	106,000	5 years	167.5
2001—Employees	1,610,000	Vested (SAYE)	15.75-67.5
2002—Management and Employees . . .	35,000	80% vested; 20% vesting in 2007	50.0
		EPS growth; 80% vested;	
2002—Management and Employees . . .	292,000	20% vesting in 2007	50.0
2002—Management	1,504,000	Vested	27.5
2002—Employees	103,000	Vesting over 5 years (SAYE) . . .	29.75
2003—Employees	4,409,000	Vesting over 5 years (SAYE) . . .	4.25
2004—Management	1,253,000	EPS target; vesting over 3 years .	32.25
Total	11,738,000		

The number and weighted average exercise prices of share options are as follows:

	2006 Weighted Average Exercise Price	2005 Number of Options (000)	2005 Weighted Average Exercise Price	2005 Number of Options (000)
Outstanding at the beginning of the period . . .	52.23p	15,094	44.80p	24,087
Forfeited during the period	58.73p	(2,187)	34.90p	(7,158)
Exercised during the period	5.43p	(1,169)	22.39p	(1,835)
Granted during the period	—	—	—	—
Outstanding at the end of the period	55.68p	11,738	52.23p	15,094
Exercisable at the end of the period	99.51p	5,909	133.29p	4,866

The weighted average market price at the time the share options were exercised during the year was 30.54 pence (2005: 26.95 pence). The options outstanding at 31 December 2006 have an exercise price in the range of 4.25 pence to 270 pence and a weighted average remaining life of 3.1 years.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value is measured based on the Black-Scholes model. No options were granted in 2006 and 2005. The total expense arising from share-based payment

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Share-based payments (Continued)

transactions recognised by the Group was \$143,000 and \$272,000 in 2006 and 2005, respectively. The Company did not recognise any share-based payment transaction expense in either 2006 or 2005.

16. Deferred income, trade and other payables

	2006	2005
	In thousands of U.S. Dollars	
Deferred income—maintenance	19,280	17,977
Payments received on account and other deferred income	3,792	3,533
Trade payables	2,468	4,032
Accruals	7,786	7,749
Taxation and social security	225	139
Other payables	910	775
	<u>34,461</u>	<u>34,205</u>

17. Financial instruments

The Group has a centralised treasury function which operates under treasury policies and guidelines established by the Board covering funding, management of foreign exchange and interest rate risk.

The Group's financial instruments comprise cash and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to fund the Group's operations as well as to manage working capital and liquidity together with the investment of surplus funds. These financial instruments have carrying values that are reasonable approximations of fair value.

The main risks arising from the Group's financial instruments are interest rate risk and foreign currency risk.

Interest Rate Risk

The Group finances its operations through retained profits and intragroup borrowings. Excess funds are typically invested in short term interest bearing deposits which are included in cash and cash equivalents set out below. The Group does not consider that it is exposed to significant interest rate risks as the interest bearing deposits are on a short term basis, normally expiring within 7 days.

Credit Risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers with potential credit exposure over certain amounts. The Group does not require collateral in respect of financial assets. At the balance sheet date there were no significant concentrations of credit risk represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Foreign Currency Risk

In the North American business, a substantial portion of revenues are received in US Dollars while significant portions of operating costs are incurred in Canadian Dollars. The Board and management monitor foreign currency risk on a regular basis. At the end of 2004, the Board adopted a policy to immediately hedge approximately 50% of the forecast Canadian Dollar exposure for 2005. Furthermore, active management of currency exposure continued in 2005 and 2006. This was achieved through a series of spot transactions as well as forward foreign exchange contracts whereby US Dollars are sold and Canadian Dollars are purchased at forward dates. The notional amounts of the contracts are intended to match the operating cash flow requirements in Canadian Dollars over the fiscal period. At the end of 2006, the Board adopted a policy to hedge 50% of the forecast Canadian Dollar exposure for 2007. At

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Financial instruments (Continued)

31 December 2006, the Group had open forward foreign exchange contracts to sell US Dollars and purchase C\$22.3m at future dates. These contracts were valued using year-end forward market rates. The resultant unrealized loss of \$198,000 is recognized in the Cash Flow Hedging Reserve (see also Note 12 “Capital and reserves”). The Group had no forward foreign exchange contracts at 31 December 2005.

The Board has concluded that the hedging of the net assets of overseas business is not required since, in its opinion, the investments are long term and over time exchange rates to Sterling are likely to return to equilibrium.

Financial Assets

Other than trade receivables, the Group’s financial assets consist of cash at bank and the forward foreign exchange contracts discussed above. The Group’s cash at bank is denominated in the following currencies:

	31 December 2006	31 December 2005
	In thousands	of U.S. Dollars
Sterling	505	687
Canadian Dollar	3,248	2,576
US Dollar	29,493	13,953
Cash and cash equivalents per balance sheet and cash flow statement	<u>33,246</u>	<u>17,216</u>

Surplus bank funds are held on deposit and attract market rates of interest dependent on the currency invested.

Financial Liabilities

The Group’s financial liabilities consist of trade payables.

Committed Borrowing Facilities and Account Management Agreement

The Group has a bank facility in North America provided by Royal Bank of Canada (“RBC”). RBC provides a C\$5.5m multi-option facility secured on the trade receivables of the North American operations. This facility was not used at 31 December 2006 or at 31 December 2005.

The Company and other UK-based group companies together have an account management agreement with The Royal Bank of Scotland that permits compensating balances amongst accounts. Under this agreement, an individual account can have a negative balance of up to £5,000,000 so long as the net total balance of all accounts remains positive.

18. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2006	2005
	In thousands of	U.S. Dollars
Less than one year	2,438	2,298
between one and five years	6,584	6,630
More than five years	6,675	7,198
	<u>15,697</u>	<u>16,126</u>

The Group leases a number of office facilities under operating leases. The leases have remaining terms of 9 months to 10 years. Three of the leased properties have been sublet by the Group. The subleases expire between 2008 and 2009. Based upon existing sublease contracts, sublease payments of \$1,713,000 are

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Operating leases (Continued)

expected to be received by the Group over the terms of the underlying subleases (less than one year: \$920,000, between one and five years: \$793,000).

During the year ended 31 December 2006, the Group recognised \$287,000 as an expense in the income statement in respect of operating leases (2005: \$696,000). Additionally, the Group increased provisions on UK facilities, primarily for lease costs, by \$3,311,000 in 2006 (see also Note 14 “Provisions”).

19. Related parties

Identity of Related Parties

The Group has a related party relationship with its directors and executive officers.

Transactions

The remuneration of directors and other members of key management during the year was as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2004</u>
	<u>US \$000</u>	<u>US \$000</u>	<u>US \$000</u>	<u>£000</u>
Short term employee benefits	2,334	1,632	2,684	1,401
Post employment benefits	148	95	88	46
Equity compensation benefits	64	64	61	32
	<u>2,546</u>	<u>1,791</u>	<u>2,833</u>	<u>1,479</u>

During the year, Group companies did not enter into other transactions with related parties who are not members of the Group other than those with its key management personnel. In 2006 the Group accrued separation costs associated with the departure of the Group’s Chief Executive Officer in 2007. See also Note 14 “Provisions”.

Transactions between Group companies have been eliminated on consolidation and are not disclosed in this note.

20. Accounting estimates and judgements

See Note 13 “Employee Benefits” regarding assumptions made concerning the recognised liability for the defined benefit pension plan and Note 14 “Provisions” regarding assumptions made concerning provisions. The actual timing and extent of subletting (in the case of the provision) and changes to the discount rate, mortality rates and actual returns on plan assets (in the case of the recognised liability for defined benefit pension plan) may cause material adjustments to these provisions in the future. The Group has capitalised certain product development costs (see Note 9 “Intangible Assets”) with a carrying amount of \$14,826,000 at 31 December 2006. Management has reviewed the carrying amount of these costs for impairment based on expectation of future order intake of the developed products to which these costs relate. This impairment review is based on management’s best judgment and, in accordance with the Group’s accounting policy, is performed at each balance sheet date. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

21. Disposal of discontinued operations

During 2004 the Group completed a transaction with BT Group plc whereby BT was appointed as the Group’s exclusive distributor in the UK and Ireland and non-exclusive distributor in the rest of Europe, the Middle East and Africa. As part of this transaction, the Group had cash outflows in 2005 totalling \$722,000.

PART B: Financial information on NSB Retail Systems PLC for the six months ended 30 June 2007 and 30 June 2006 together with the financial year ended 31 December 2006, prepared under IFRS

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2007

	Note	Six months ended 30 June 2007 (unaudited) US \$000	Six months ended 30 June 2006 (unaudited) US \$000	Year ended 31 December 2006 US \$000
Revenue	2	46,000	42,492	87,611
Cost of revenue		(19,550)	(17,429)	(37,070)
Gross profit	2	<u>26,450</u>	<u>25,063</u>	<u>50,541</u>
Operating expenses before property, employee redundancy and separation costs		(16,315)	(15,914)	(31,690)
Property, employee redundancy and separation costs	3	—	(2,220)	(7,338)
Operating expenses	2	<u>(16,315)</u>	<u>(18,134)</u>	<u>(39,028)</u>
Operating profit before property, employee redundancy and separation costs		10,135	9,149	18,851
Property, employee redundancy and separation costs	3	—	(2,220)	(7,338)
Operating profit		<u>10,135</u>	<u>6,929</u>	<u>11,513</u>
Financial income		693	388	934
Financial expenses		(221)	(195)	(398)
Net financial income	2	<u>472</u>	<u>193</u>	<u>536</u>
Profit before tax		<u>10,607</u>	<u>7,122</u>	<u>12,049</u>
Income tax credit/(expense)	4	598	190	(122)
Profit for the period	2,5	<u>11,205</u>	<u>7,312</u>	<u>11,927</u>
Basic earnings per share (<i>U.S. cents</i>)	5	<u>2.73</u>	<u>1.79</u>	<u>2.91</u>
Diluted earnings per share (<i>U.S. cents</i>)	5	<u>2.69</u>	<u>1.76</u>	<u>2.87</u>
Supplementary information:				
Basic earnings per share (<i>pence</i>)	5	<u>1.38</u>	<u>0.97</u>	<u>1.58</u>
Diluted earnings per share (<i>pence</i>)	5	<u>1.36</u>	<u>0.95</u>	<u>1.56</u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2007

	Note	30 June 2007 (unaudited) US \$000	30 June 2006 (unaudited) US \$000	31 December 2006 US \$000
Assets				
Property, plant and equipment		13,310	13,630	13,291
Intangible assets		64,971	60,204	63,832
Deferred tax assets		12,967	12,367	11,833
Total non-current assets		<u>91,248</u>	<u>86,201</u>	<u>88,956</u>
Inventories		817	1,051	480
Income tax receivable		218	226	220
Trade and other receivables		22,861	20,453	20,317
Cash and cash equivalents		34,554	21,611	33,246
Total current assets		<u>58,450</u>	<u>43,341</u>	<u>54,263</u>
Total assets		<u>149,698</u>	<u>129,542</u>	<u>143,219</u>
Equity				
Issued capital		14,583	14,078	14,483
Share premium		36,903	66	33,326
Exchangeable shares		110,747	147,654	113,956
Reserves		49,840	46,965	48,763
Retained losses		(105,928)	(118,728)	(113,340)
Total equity	6	<u>106,145</u>	<u>90,035</u>	<u>97,188</u>
Liabilities				
Employee benefits		3,146	3,788	3,216
Provisions		2,283	592	3,868
Total non-current liabilities		<u>5,429</u>	<u>4,380</u>	<u>7,084</u>
Deferred income, trade and other payables		33,929	31,884	34,461
Provisions		3,105	2,353	3,742
Other financial liabilities		—	—	198
Income tax payable		1,090	890	546
Total current liabilities		<u>38,124</u>	<u>35,127</u>	<u>38,947</u>
Total liabilities		<u>43,553</u>	<u>39,507</u>	<u>46,031</u>
Total equity and liabilities		<u>149,698</u>	<u>129,542</u>	<u>143,219</u>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF
RECOGNISED INCOME AND EXPENSE**

For the six months ended 30 June 2007

	Six months ended 30 June 2007	Six months ended 30 June 2006	Year ended 31 December 2006
	(unaudited) US \$000	(unaudited) US \$000	US \$000
Actuarial gains and losses in defined benefit pension plan	—	—	754
Foreign exchange translation differences	879	2,595	4,591
Cash flow hedges—effective portion of changes in fair value	198	—	(198)
Net income recognised directly in equity	1,077	2,595	5,147
Profit for the period	11,205	7,312	11,927
Total recognised income and expense for the period	<u>12,282</u>	<u>9,907</u>	<u>17,074</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2007

	Six months ended 30 June 2007	Six months ended 30 June 2006	Year ended 31 December 2006
	(unaudited) US \$000	(unaudited) US \$000	US \$000
Cash flows from operating activities			
Profit for the period	11,205	7,312	11,927
<i>Adjustments for:</i>			
Depreciation	687	624	1,298
Amortisation of product development costs	3,428	2,716	5,271
Interest income	(693)	(388)	(934)
Interest expense	221	195	398
Equity-settled share-based payment expenses	287	124	143
Income tax (credit)/expense	(598)	(190)	122
Cash generated from operations before changes in working capital and provisions	14,537	10,393	18,225
(Increase)/decrease in trade and other receivables	(2,526)	(239)	1,021
(Increase)/decrease in inventories	(337)	(141)	431
Decrease in deferred income, trade and other payables	(696)	(1,497)	(300)
(Decrease)/increase in provisions	(2,592)	10	4,095
Cash generated from operations	8,386	8,526	23,472
Interest paid	(5)	(6)	(8)
Income tax (payments)/refunds	(5)	41	(149)
Net cash from operating activities	8,376	8,561	23,315
Cash flows from investing activities			
Interest received	539	267	688
Acquisition of property, plant and equipment	(706)	(962)	(1,300)
Capitalised product development costs	(3,374)	(3,493)	(6,933)
Net cash from investing activities	(3,541)	(4,188)	(7,545)
Cash flows from financing activities			
Proceeds from the issue of share capital	468	101	75
Dividends paid	(4,080)	—	—
Net cash from financing activities	(3,612)	101	75
Net increase in cash and cash equivalents	1,223	4,474	15,845
Cash and cash equivalents at beginning of period	33,246	17,216	17,216
Effect of exchange rate fluctuations on cash held	85	(79)	185
Cash and cash equivalents at end of period	34,554	21,611	33,246

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Significant accounting policies

NSB Retail Systems PLC (the “Company”) is a company domiciled in England and Wales. The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2007 comprise the Company and its subsidiaries (together referred to as the “Group”). These condensed consolidated interim financial statements are presented in United States Dollars, rounded to the nearest thousand.

1. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies and presentation that were applied in the preparation of the Group’s published consolidated financial statements for the year ended 31 December 2006.

The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The condensed consolidated interim financial statements are unaudited and do not comprise statutory accounts for the purpose of Section 240 of the Companies Act 1985. The comparative figures for the financial year ended 31 December 2006 have been reported on by the Group’s auditors and delivered to the registrar of companies. The report of the auditors was unqualified and did not contain statements under Section 237(2) or (3) of the Companies Act 1985. Copies of the Report and Financial Statements for 2006 are available from the Company’s registered office by applying to the Company Secretary at NSB Retail Systems PLC, Parkfield Business Centre, Parkfield House, Park Street, Stafford, ST17 4AL.

2. Segment reporting

The Group operates in one business segment—providing software, hardware, software services and support to the retail industry. The Group generates revenues from its North American operations and through its European distributor. Presented below for additional information is an analysis of revenue and gross profit.

For the six months ended 30 June

	North America Operations		European Distributor		Consolidated	
	2007 US \$000	2006 US \$000	2007 US \$000	2006 US \$000	2007 US \$000	2006 US \$000
Revenue						
Software licences	7,060	7,406	1,212	1,405	8,272	8,811
Software services and support	32,179	30,539	530	520	32,709	31,059
Hardware sales	5,019	2,622	—	—	5,019	2,622
Total revenue	<u>44,258</u>	<u>40,567</u>	<u>1,742</u>	<u>1,925</u>	<u>46,000</u>	<u>42,492</u>
Gross profit	<u>24,774</u>	<u>23,313</u>	<u>1,676</u>	<u>1,750</u>	26,450	25,063
Operating expenses					(16,315)	(18,134)
Operating profit					10,135	6,929
Net financing income					472	193
Income tax credit					598	190
Profit for the period					<u>11,205</u>	<u>7,312</u>

3. Property, employee redundancy and separation costs

For the six months ended 30 June 2006, the Group incurred redundancy costs of \$2,200,000 associated with employee terminations as announced in January 2006. For the year ended 31 December 2006, costs of

**NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS (Continued)**

3. Property, employee redundancy and separation costs (Continued)

\$7,338,000 included UK facilities surplus to Group requirements, employee redundancy and separation costs associated with the departure of the Group's former Chief Executive Officer.

4. Income taxes

The full year tax rate on profit before tax is expected to be lower than the full Corporation tax rate of 30% benefiting from the favourable Canadian tax treatment for part of the acquisition cost of STS and tax losses in certain geographies. The Group has Canadian Dollar denominated deferred tax assets that benefited from an increase in the value of the Canadian Dollar compared to the United States Dollar during the six months ended 30 June 2007. An analysis of income tax credit/(expense) is presented below.

	Six months ended 30 June 2007	Six months ended 30 June 2006	Year ended 31 December 2006
	US \$000	US \$000	US \$000
Income tax (expense) before impact of currency movements on deferred tax assets	(536)	(350)	(128)
Impact of currency movements on Canadian Dollar deferred tax assets	<u>1,134</u>	<u>540</u>	<u>6</u>
Income tax credit/(expense)	<u><u>598</u></u>	<u><u>190</u></u>	<u><u>(122)</u></u>

5. Earnings per share

Basic and diluted earnings per share are calculated by dividing profit for the period by the weighted average number of ordinary shares for the period and the weighted average number of ordinary shares (diluted) for the period, respectively. Due to the significant non-cash impact of currency movements on Canadian Dollar deferred tax assets (see also Note 4) and due to the nature of property, employee redundancy and separation costs recognised in 2006 (see also Note 3), the directors have also presented an adjusted earnings per share calculation. The calculation of basic, diluted and adjusted basic and diluted earnings per share as well as weighted average number of ordinary shares for the periods are presented

**NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS (Continued)**

5. Earnings per share (Continued)

below. Earnings per share amounts presented in pence (£ Sterling) are based on average United States Dollar to £ Sterling exchange rates during the period.

	Six months ended 30 June 2007	Six months ended 30 June 2006	Year ended 31 December 2006
	US \$000 In thousands	US \$000 of U.S. Dollars	US \$000 unless indicated
Profit for the period	11,205	7,312	11,927
Property, employee redundancy and separation costs	—	2,220	7,338
Profit impact of currency movements on Canadian Dollar deferred tax assets	(1,134)	(540)	(6)
Adjusted profit for the period	<u>10,071</u>	<u>8,992</u>	<u>19,259</u>
Basic earnings per share (U.S. cents)	<u>2.73</u>	<u>1.79</u>	<u>2.91</u>
Diluted earnings per share (U.S. cents)	<u>2.69</u>	<u>1.76</u>	<u>2.87</u>
Adjusted basic earnings per share (U.S. cents)	<u>2.45</u>	<u>2.20</u>	<u>4.70</u>
Adjusted diluted earnings per share (U.S. cents)	<u>2.42</u>	<u>2.17</u>	<u>4.64</u>
<i>Converted to Sterling at period average rate of:</i>	<i>0.5058</i>	<i>0.5409</i>	<i>0.5436</i>
Basic earnings per share (pence)	<u>1.38</u>	<u>0.97</u>	<u>1.58</u>
Diluted earnings per share (pence)	<u>1.36</u>	<u>0.95</u>	<u>1.56</u>
Adjusted basic earnings per share (pence)	<u>1.24</u>	<u>1.19</u>	<u>2.56</u>
Adjusted diluted earnings per share (pence)	<u>1.22</u>	<u>1.17</u>	<u>2.52</u>

Weighted average number of ordinary shares

	Six months ended 30 June 2007	Six months ended 30 June 2006	Year ended 31 December 2006
	In thousands of shares		
Issued ordinary shares at beginning of period	378,186	366,431	366,431
Effect of exchangeable shares issued during the period or outstanding	35,508	46,008	46,008
Effect of own shares held	(3,463)	(3,463)	(3,463)
Effect of shares issued from the exercise of share options . .	<u>372</u>	<u>136</u>	<u>755</u>
Weighted average number of ordinary shares	<u>410,603</u>	<u>409,112</u>	<u>409,731</u>
Effect of share options on issue	<u>5,595</u>	<u>5,807</u>	<u>5,258</u>
Weighted average number of ordinary shares (diluted)	<u>416,198</u>	<u>414,919</u>	<u>414,989</u>

**NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS (Continued)**

6. Capital and reserves

Reconciliation of movements in Group capital and reserves

	Share capital	Share premium	Exchangeable shares	Translation reserve	Cash flow hedging reserve	Merger reserve	Warrant reserve	Capital reserve	Special reserve	Retained losses	Total equity
	US \$000	US \$000	US \$000	US \$000	US \$000	US \$000	US \$000	US \$000	US \$000	US \$000	US \$000
At 1 January 2006	14,036	471,341	147,654	(6,793)	—	6,970	1,650	12,843	—	(567,798)	79,903
Total recognized income and expense	—	—	—	2,595	—	—	—	—	—	7,312	9,907
Cancellation of share premium account	—	(471,341)	—	—	—	—	—	—	29,700	441,641	—
Change in relation to share related awards	—	—	—	—	—	—	—	—	—	(7)	(7)
Shares issued	42	66	—	—	—	—	—	—	—	—	108
Transfer to capital reserve	—	—	—	—	—	—	(257)	257	—	—	—
Equity settled share-based payment transactions, net of tax	—	—	—	—	—	—	—	—	—	124	124
At 30 June 2006	14,078	66	147,654	(4,198)	—	6,970	1,393	13,100	29,700	(118,728)	90,035
Total recognized income and expense	—	—	—	1,996	(198)	—	—	—	—	5,369	7,167
Shares issued	3	14	—	—	—	—	—	—	—	—	17
Exchangeable shares converted	402	33,246	(33,698)	—	—	—	—	—	—	—	(50)
Transfer to capital reserve	—	—	—	—	—	—	(5)	5	—	—	—
Equity settled share-based payment transactions, net of tax	—	—	—	—	—	—	—	—	—	19	19
At 31 December 2006	14,483	33,326	113,956	(2,202)	(198)	6,970	1,388	13,105	29,700	(113,340)	97,188
Total recognized income and expense	—	—	—	879	198	—	—	—	—	11,205	12,282
Dividends paid	—	—	—	—	—	—	—	—	—	(4,080)	(4,080)
Shares issued	61	414	—	—	—	—	—	—	—	—	475
Exchangeable shares converted	39	3,163	(3,209)	—	—	—	—	—	—	—	(7)
Transfer to capital reserve	—	—	—	—	—	—	(99)	99	—	—	—
Equity settled share-based payment transactions, net of tax	—	—	—	—	—	—	—	—	—	287	287
At 30 June 2007	14,583	36,903	110,747	(1,323)	—	6,970	1,289	13,204	29,700	(105,928)	106,145

7. Dividends

The Board has approved an interim 2007 dividend of 0.55 US cents per share to be paid on 19 October to shareholders on the register at the close of business on 21 September.

APPENDIX III

UNITED KINGDOM TAXATION

The following paragraphs, which are intended as a general guide only, are based on current UK tax legislation and HM Revenue & Customs published practice, and summarise certain limited aspects of the UK tax treatment of the Scheme becoming effective. They relate only to the position of Scheme Shareholders who hold their NSB Shares beneficially as an investment (other than under a personal equity plan or an individual savings account) and (except insofar as express reference is made to the treatment of non-UK residents) who are resident or, in the case of individuals, ordinarily resident and domiciled in the UK for tax purposes. The tax treatment may be different for NSB Shareholders who acquire or acquired their Ordinary Shares through the NSB Share Incentive Schemes. **If you are in any doubt as to your taxation position or if you are subject to taxation in any jurisdiction other than the UK, you should consult an appropriate professional adviser immediately.**

(a) Tax on chargeable gains as a result of the Scheme

Cash consideration

Liability to UK tax on chargeable gains will depend on the individual circumstances of each Scheme Shareholder. The receipt by a Scheme Shareholder of cash under the Scheme will be treated as consideration for a disposal, or part disposal, of his Scheme Shares which may, depending on the Shareholder's individual circumstances (including the availability of exemptions or allowable losses), give rise to a liability to UK tax on chargeable gains.

There are various reliefs which could apply to reduce any chargeable gain which arises, including:

- (i) for individual Scheme Shareholders, taper relief may apply to reduce the percentage of any chargeable gain arising on the disposal of the Scheme Shares chargeable to tax, depending on, amongst other things, the period for which the Scheme Shares have been held. For Scheme Shareholders who acquired their NSB Shares prior to April 1998, an indexation allowance may apply for the period prior to April 1998; and
- (ii) for Scheme Shareholders within the charge to corporation tax, an indexation allowance may apply to reduce any chargeable gain arising on the disposal of the Scheme Shares.

(b) Other direct tax matters

Special tax provisions may apply to NSB Shareholders who have acquired or who acquire their NSB Shares by exercising options under a NSB Share Incentive Scheme, including provisions imposing a charge to income tax.

(c) Stamp Duty and stamp duty reserve tax ("SDRT")

No stamp duty or SDRT will be payable by NSB Shareholders as a result of the Scheme becoming effective.

APPENDIX IV
ADDITIONAL INFORMATION

1. Responsibility

- (a) The NSB Directors, whose names are set out in paragraph 2(a) below, accept responsibility for the information contained in this document relating to NSB, members of the NSB Group and themselves and their immediate families, related trusts and controlled companies. To the best of the knowledge and belief of the NSB Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.
- (b) The Epicor Directors whose names are set out in paragraph 2(b) below accept responsibility for the information contained in this document, other than the information relating to NSB, the NSB Group and the NSB Directors and their immediate families and related trusts and controlled companies for which the NSB Directors accept responsibility. To the best of the knowledge and belief of the Epicor Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors of NSB and Epicor

- (a) The names of the NSB Directors and their respective positions are as follows:

<u>Name</u>	<u>Position</u>
Angus Monro	Non-Executive Chairman
David Henning	Chief Executive Officer
Stuart Roger Mitchell	Executive Finance Director
David Sinclair Ferguson	Non-Executive Vice-Chairman
Richard Abraham	Non-Executive Director
Martin Anthony Chatwin	Non-Executive Director
Paul Allen	Non-Executive Director

The business address of each of the NSB Directors is Parkfield Business Centre, Parkfield House Park Street, Stafford, Staffordshire ST17 4AL which is also the registered office of NSB.

- (b) The names of the Epicor Directors who are taking responsibility for information in this document in accordance with paragraph 1(b) above and their respective positions are as follows:

<u>Name</u>	<u>Position</u>
L. George Klaus	Chairman, President and CEO
Harry Copperman	Director
Michael Hackworth	Director
Thomas Kelly	Director
Michael Kelly	Director
Robert Smith	Director

The business address of each of the Epicor Directors is 18200 Von Karman Avenue, Suite 1000, Irvine, CA 92612, which is also the corporate headquarters of Epicor.

3. Disclosure of interests and dealings in relevant securities

For the purposes of this Appendix IV:

- (i) “**acting in concert**” means such term as defined in the City Code;
- (ii) “**arrangement**” includes any indemnity or option arrangement, and any agreement or understanding, formal or informal, of whatever nature relating to relevant securities which may be an inducement to deal or refrain from dealing;

- (iii) “**associate**” of any company is:
 - (A) the subsidiaries, fellow subsidiaries and associated companies of that company and companies of which any such subsidiaries or associated companies are associated companies. For this purpose, ownership or control of 20 per cent. or more of the equity share capital of a company is the test of associated company status;
 - (B) a connected adviser and persons controlling, controlled by or under the same control as a connected adviser;
 - (C) the directors of that company or of any company covered in (A) above (together in each case with their close relatives and related trusts); and
 - (D) the pension funds of that company or of any company covered in (A) above;
- (iv) “**connected adviser**” includes an organisation which is advising NSB in relation to the Transaction, its corporate broker, an organisation which is advising a person acting in concert with the NSB Directors in relation to the Transaction or in relation to the matter which is the reason for that person being a member of the concert party, or an organisation which is advising a paragraph 1 associate in relation to the Transaction;
- (v) “**control**” means a holding or aggregate holdings of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holdings gives de facto control;
- (vi) “**dealing**” or “**dealt**” includes:
 - (A) acquiring or disposing of securities;
 - (B) taking, granting, acquiring, disposing of, entering into, closing out, terminating, exercising or varying an option in respect of any securities;
 - (C) subscribing or agreeing to subscribe for securities;
 - (D) exercising or converting any securities carrying conversion or subscription rights;
 - (E) acquiring, disposing of, entering into, closing out, exercise of any rights under, or varying, a derivative referenced, directly or indirectly, to securities;
 - (F) entering into, terminating or varying the terms of any agreement to purchase or sell securities; and
 - (G) any other action resulting, or which may result, in an increase or decrease in the number of securities in which a person is interested or in respect of which he has a short position;
- (vii) “**derivative**” includes any financial product whose value, in whole or in part, is determined directly or indirectly by reference to the price of an underlying security;
- (viii) “**disclosure period**” means the period commencing on 13 December 2006 (being the date 12 months prior to the commencement of the Offer Period) and ending on 19 December 2007 (the latest practicable date prior to the posting of this document);
- (ix) “**NSB relevant securities**” means NSB Shares (or derivatives referenced thereto) and securities convertible into, rights to subscribe for, and options in respect of, NSB Shares;
- (x) “**Epicor Retail relevant securities**” means Epicor Retail Shares (or derivatives referenced thereto) and securities convertible into, rights to subscribe for, and options in respect of, Epicor Retail Shares;
- (xi) “**paragraph 1 associate**” means the subsidiaries, fellow subsidiaries and associated companies of NSB and companies of which any such subsidiaries or associated companies are associated companies. For this purpose, ownership or control of 20 per cent. or more of the equity share capital of a company is the test of associated company status;
- (xii) “**relevant securities**” means NSB relevant securities and Epicor Retail relevant securities;
- (xiii) references to a pension fund of NSB or of a company which is a paragraph 1 associate do not include any such pension funds which are managed under an agreement or arrangement with an independent third party in the terms set out in Note 7 on the definition in the City Code of “**acting in concert**”;

- (xiv) references to a person having an “**interest**” in relevant securities includes where a person:
- (A) owns securities;
 - (B) has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to securities or has general control of them;
 - (C) by virtue of any agreement to purchase, option or derivative, has the right or option to acquire securities or call for their delivery or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
 - (D) is party to any derivative whose value is determined by reference to the price of securities and which results, or may result, in his having a long position in them;
- (xv) references to Directors having an interest in relevant securities are to be interpreted in accordance with Part 22 of the 2006 Act; and
- (xvi) “**short position**” means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative.

(a) *Interests in NSB relevant securities*

As at the close of business on 19 December 2007 (being the latest practicable date prior to the posting of this document):

- (i) Epicor Retail had no interests in or right to subscribe for NSB relevant securities;
- (ii) the Epicor Retail Directors had no interests in or rights to subscribe for NSB relevant securities;
- (iii) there are no interests in or rights to subscribe for any NSB relevant securities of persons acting, or presumed to be acting in concert with Epicor Retail;
- (iv) there are no borrowings or loans of any NSB relevant securities (save for any borrowed shares which had either been on-lent or sold) of Epicor Retail or any person acting, or presumed to be acting, in concert;
- (v) the interests of the NSB Directors in NSB relevant securities apart from incentives which are disclosed under paragraph (vi) below were as follows:

<u>Name</u>	<u>Number of Ordinary Shares</u>
Angus Monro	368,558
David Henning	0
Stuart Roger Mitchell	304,652
David Sinclair Ferguson	50,000
Richard Abraham	633,217
Martin Anthony Chatwin	1,045,530
Paul Allen	0

- (vi) the NSB Directors had the following conditional awards of Ordinary Shares under the NSB Share Incentive Schemes:

<u>Name</u>	<u>Scheme name</u>	<u>Date of grant</u>	<u>Number of Ordinary Shares under option/ award</u>	<u>Exercise price</u>	<u>Exercise period/ receipt of Ordinary Shares</u>
Stuart Mitchell	1998 Share Option Scheme	3 March 2000	421,909	£2.7020	4 March 2003-3 March 2010
Stuart Mitchell	1998 Share Option Scheme	3 March 2000	843,818	£2.7020	4 March 2005-3 March 2010
Stuart Mitchell	1998 Share Option Scheme	13 December 2000	100,000	£1.5250	14 December 2003-13 December 2010
Stuart Mitchell	1998 Share Option Scheme	13 December 2000	200,000	£1.5250	14 December 2005-13 December 2010
Stuart Mitchell	1998 Share Option Scheme	27 March 2002	678,800	£0.2725	28 March 2005-27 March 2012
Stuart Mitchell	Savings-Related Share Option Scheme	23 May 2003	49,468	£0.0425	1 July 2008-31 December 2008
Stuart Mitchell	Long-term Incentive Plan	23 March 2007	500,000	nil	Ordinary Shares are receivable, subject to satisfaction of performance conditions on the announcement of annual results for the year ending 31 December 2009.
David Henning	1998 Share Option Scheme	2 January 2001	36,300	£1.6750	3 January 2004-2 January 2011
David Henning	1998 Share Option Scheme	2 January 2001	24,200	£1.6750	3 January 2006-2 January 2011
David Henning	Long-term Incentive Stock Option Plan for former employees of STS Systems	26 January 2001	26,000	£0.02	1 January 2005-31 December 2009
David Henning	1998 Share Option Scheme	12 March 2004	297,000	£0.3225	12 March 2007-11 March 2014
David Henning	Long-term Incentive Plan	23 March 2007	500,000	nil	Ordinary Shares are receivable, subject to satisfaction of performance conditions on the announcement of annual results for the year ending 31 December 2009.

- (vii) other than the rights of 513164 N.B. Inc. and Exchangeco to procure the issue of not more than 34,508,249 Ordinary Shares in order to fulfil their obligations in relation to the exchange of the Exchangeable Shares in accordance with the VES Agreement described in paragraph 5(b)(i) below, no paragraph 1 associate of NSB had interests in or rights to subscribe for NSB relevant securities;
- (viii) no pension fund of NSB or of any company which is a paragraph 1 associate of NSB had rights to subscribe for NSB relevant securities;

- (ix) the following employee benefit trust(s) of NSB or of a company which is a paragraph 1 associate of NSB had interests in or rights to subscribe for NSB relevant securities as follows:

<u>Name</u>	<u>Number of Ordinary Shares</u>
NSB Employee Share Trust	<u>3,462,897</u>

- (x) the interests in or rights to subscribe for NSB relevant securities of connected advisers of NSB or any person controlling, controlled by or under the same control as a connected adviser of NSB (except for an exempt principal trader or an exempt fund manager) were as follows:

<u>Name</u>	<u>Number of Ordinary Shares</u>
Allianz Insurance PLC	300,000

- (xi) neither NSB nor any person acting, or presumed to be acting in concert with the NSB Directors had any borrowings or loans of any NSB relevant securities (save for any borrowed shares which had either been on-lent or sold);
- (xii) 3068358 Canada Inc. has (i) a right to acquire 34,508,249 Ordinary Shares by virtue of its holding of 34,508,249 Exchangeable Shares which each carry a right to be exchanged on a one-for-one basis for Ordinary Shares and (ii) a contingent right to acquire up to 430,896 Ordinary Shares which are subject to the Long Term Incentive Stock Option Plan for Former Employees of STS Systems which takes effect upon the lapse or renunciation of options under that plan.

(b) *Dealings in NSB relevant securities*

During the disclosure period:

- (i) there were no dealings in NSB relevant securities by Epicor Retail;
- (ii) there were no dealings in NSB relevant securities by the Epicor Retail Directors, their immediate families, related trusts and companies;
- (iii) there were no dealings in NSB relevant securities by persons acting, or presumed to be acting, in concert with Epicor Retail.

Between the commencement of the Offer Period and 19 December 2007 (being the latest practicable date prior to the posting of this document):

- (iv) there were no dealings in NSB relevant securities by the NSB Directors, their immediate families and related trusts and companies;
- (v) there were no dealings in NSB relevant securities by paragraph 1 associates of NSB;
- (vi) there were no dealings in NSB relevant securities by pension funds of NSB or of any company which is a paragraph 1 associate of NSB;
- (vii) there were no dealings in NSB relevant securities by any employee benefit trusts of NSB or of any company which is a paragraph 1 associate of NSB;
- (viii) there were no dealings in NSB relevant securities by the connected advisers of NSB and persons controlling, controlled by or under the same control as a connected adviser of NSB (except for an exempt principal trader or an exempt fund manager).

(c) *Interests in Epicor Retail relevant securities*

As at the close of business on 19 December 2007 (being the latest practicable date prior to the posting of this document):

- (i) NSB had no interests in or rights to subscribe for Epicor Retail relevant securities;
- (ii) the NSB Directors had no interests in or rights to subscribe for Epicor Retail relevant securities.

(d) *Dealings in Epicor Retail relevant securities*

Between the commencement of the Offer Period and 19 December 2007, (being the latest practicable date prior to the posting of this document):

- (i) there were no dealings in Epicor Retail relevant securities by NSB;
- (ii) there were no dealings in Epicor Retail relevant securities by the NSB Directors, their immediate families and related trusts and companies.

(e) *General*

- (i) Save as disclosed above, neither Epicor Retail, nor any of the Epicor Retail Directors, nor (so far as the Epicor Retail Directors are aware having made due and careful enquiry) any person acting, or presumed to be acting, in concert with Epicor Retail, nor any person who is a party to an arrangement relating to relevant securities with Epicor Retail or any person acting, or presumed to be acting, in concert with Epicor Retail:
 - (A) had an interest in, or a right to subscribe for, NSB relevant securities as at the close of business on 19 December 2007 (being the latest practicable date prior to the posting of this document);
 - (B) engaged in any dealing in NSB relevant securities during the disclosure period; or
 - (C) had any short position in, was party to any agreement to sell, or subject to any delivery obligation in respect of, or had the right to require another person to purchase or take delivery of, NSB relevant securities as at the close of business on 19 December 2007.
- (ii) Save as disclosed above, neither NSB nor any of the NSB Directors:
 - (A) had an interest in or a right to subscribe for relevant securities as at the close of business on 19 December 2007 (being the latest practicable date prior to the posting of this document);
 - (B) engaged in any dealing in relevant securities during the period between the commencement of the Offer Period and 19 December 2007 (being the latest practicable date prior to the posting of this document); or
 - (C) had any short position in, was party to any agreement to sell, or subject to any delivery obligation in respect of, or had the right to require another person to purchase or take delivery of, relevant securities as at the close of business on 19 December 2007 (being the latest practicable date prior to the posting of this document).
- (iii) Save as disclosed above, (so far as the NSB Directors are aware having made due and careful enquiry), no paragraph 1 associate, nor any pension fund of NSB or of any company which is a paragraph 1 associate, nor any employee benefit trust of NSB or of any company which is a paragraph 1 associate, nor any connected adviser or any person controlling, controlled by or under the same control as any such adviser (except for an exempt principal trader or an exempt fund manager), nor any person with whom NSB or any associate of NSB has any arrangement in relation to NSB relevant securities:
 - (A) had an interest in or a right to subscribe for NSB relevant securities as at the close of business on 19 December 2007 (being the latest practicable date prior to the posting of this document);
 - (B) engaged in any dealing in NSB relevant securities during the period between the commencement of the Offer Period and 19 December 2007 (being the latest practicable date prior to the posting of this document); or
 - (C) had any short position in, was party to any agreement to sell, or subject to any delivery obligation in respect of, or had the right to require another person to purchase or take delivery of, NSB relevant securities as at the close of business on 19 December 2007 (being the latest practicable date prior to the posting of this document).
- (iv) Save as disclosed in this document there are no arrangements of the kind referred to in Note 6(b) on Rule 8 of the City Code which exist between Epicor Retail or any person acting,

or presumed to be acting, in concert with Epicor Retail, and any other person nor between NSB or any associate of NSB and any other person.

4. Market quotations

The following table shows the closing middle-market quotations of NSB Shares, as derived from the LSE section of the Daily Official List on the following dates, unless otherwise indicated:

- (a) the first business day of each of the six months immediately before the date of this document;
- (b) 12 December 2007, being the last dealing day before the commencement of the Offer Period; and
- (c) 20 December 2007, being the latest practicable date prior to the posting of this document.

<u>Date</u>	<u>Price per Ordinary Share (pence)</u>
20 December 2007	37.50 pence
12 December 2007	23.50 pence
3 December 2007	23.50 pence
1 November 2007	23.25 pence
1 October 2007	25.50 pence
3 September 2007	27.50 pence
1 August 2007	28.50 pence
2 July 2007	27.00 pence

5. Material contracts

(a) *Epicor*

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by Epicor and its subsidiaries in the period commencing 13 December 2005 (being the date two years before the commencement of the Offer Period) and are or may be material:

- (i) The Implementation Agreement described in paragraph 5(b)(iii) below.
- (ii) CRS Retail Stock Purchase Agreement

On 6 December 2005, Epicor entered into a Stock Purchase Agreement (the “**Stock Purchase Agreement**”) with Cougar Acquisition Corporation, a wholly owned subsidiary of Epicor (“**Cougar**”), CRS Retail Technology Group, Inc., (“**CRS**”), the principal stockholders of CRS and certain other parties, pursuant to which Cougar, following a subsequent short form merger on 20 December 2005, acquired 100 percent of the capital stock of CRS (the “**Stock Purchase**”) for a total of \$121 million in cash. Epicor financed the transaction utilizing existing credit facilities and cash-in-hand. The acquisition of CRS, a provider of merchandising and POS software solutions to the retail industry, extended Epicor’s position as a leading provider of complete end-to-end enterprise solutions to include the retail sector. The agreement contains customary warranties and indemnities.

- (iii) Indenture for 2.375% Convertible Senior Notes due 15 May 2027

On 8 May 2007, Epicor entered into an Indenture among Epicor and U.S. Bank National Association as trustee (the “**Indenture**”) and a Supplemental Indenture among Epicor and U.S. Bank National Association as trustee (the “**Supplemental Indenture**”) relating to the issuance by Epicor of \$230 million aggregate principal amount of its 2.375% Convertible Senior Notes due 15 May 2027 (the “**Notes**”). Interest on the Notes is payable semi-annually in arrears on 15 May and 15 November of each year, beginning on 15 November 2007. The maturity date of the Notes is 15 May 2027. The Notes will be senior unsecured obligations of Epicor and will rank equally in right of payment to all of Epicor’s existing and future unsubordinated unsecured indebtedness, senior in right of payment to any indebtedness that is contractually subordinated to the Notes and effectively subordinated to any of Epicor’s existing and future secured indebtedness to the extent of the value of the collateral security such indebtedness. The Notes will not be secured by Epicor’s subsidiaries or joint ventures and, accordingly will be effectively subordinated to any future indebtedness and liabilities of Epicor’s subsidiaries and joint ventures.

The Notes will be convertible into cash or, at the Epicor's option, cash and shares of Epicor's common stock based on an initial conversion rate, subject to adjustment in certain circumstances, of 55.2608 shares per \$1,000 principal amount of Notes (which represents an initial conversion price of approximately \$18.10 per share) in certain circumstances. In addition, subject to Epicor's right to elect to change the conversion rate and conversion obligation in connection with a "public acquirer fundamental change" following a "make-whole fundamental change" that occurs prior to 15 May 2014, the conversion rate for a holder of Notes who elects to convert its Notes in connection with such "make-whole fundamental change" will increase in certain circumstances.

On or after 15 May 2014, Epicor may from time to time at its option redeem the Notes, in whole or in part, for cash, at a redemption price equal to 100% of the principal amount of the Notes plus any accrued and unpaid interest to, but excluding, the redemption date.

On each of 15 May 2014, 15 May 2017 and 15 May 2022, under certain conditions, holders of Notes may require Epicor to purchase all or a portion of the Notes at a purchase price in cash equal to 100% of the principal amount of the Notes to be purchased, plus any accrued and unpaid interest to, but excluding, the purchase date.

Under certain events of default, Epicor could be required to repay any unpaid principal on the Notes.

(iv) **KeyBank Credit Agreement**

On 30 March 2006, Epicor entered into a credit agreement with Keybank National Association, as Administrative Agent, sole book manager and letter of credit issuing lender, Bank of America N.A. as documentation agent and the lenders party thereto from time to time, (the "**KeyBank Credit Agreement**") which provided for revolving loans of up to US\$100 million (inclusive of a US\$20 million letter of credit sublimit) and a term loan facility of up to US\$100 million. Interest and minimum principal installments of US\$250,000 were payable quarterly during the term of the term loan facility and any unpaid principal balance is due on 30 March 2012. Interest payments on the revolving loan were payable quarterly during the term of the revolving loan and any principal balance is due on 30 March 2009. Interest under this facility is based on various possible rates at prime rate or LIBOR plus an applicable margin based on Epicor's leverage ratio, at its option; provided that the initial borrowing for each of the revolving loan and term loan must be based on the prime rate plus applicable margin for a 3- and 14-day period, respectively following closing. Under the KeyBank Credit Agreement Epicor was required to comply with various financial covenants. Additional material covenants under this facility including limitations on the Epicor's indebtedness, liens on Epicor's assets, investments, dividends, and certain acquisitions and dispositions of assets by Epicor and the requirement that Epicor maintain ratings with Moody's Investor Services, Inc. and Standard & Poor's Ratings Group. Epicor entered into the First Amendment to Credit Agreement, dated as of 1 May 2007, to allow a new category of indebtedness permitted under the KeyBank Credit Agreement with respect to up to US\$230 million aggregate principal amount of Epicor's senior convertible notes due 2027.

In connection with Epicor's entry into the Bank of America Credit Agreement on 16 December 2007 described below, the KeyBank Credit Agreement, as amended, was terminated with respect to the revolving loan and term loan facilities thereunder except for two letters of credit of Epicor in the aggregate amount of approximately US\$250,000, which will remain outstanding and are subject to reimbursements agreements between Epicor and KeyBank National Association.

(v) **Bank of America Credit Agreement**

On 16 December 2007, Epicor and certain of its subsidiaries entered into a credit agreement (the "**Credit Facility**") arranged by Banc of America Securities LLC, as sole lead arranger and book manager and with Bank of America, N.A., as administrative agent, swing line lender and letter of credit issuer (the "**Administrative Agent**"), KeyBank National Association, as syndication agent and a group of financial institutions, as lenders, which provides for term loans in an amount up to US\$100 million and revolving loans in an amount up to US\$100 million (inclusive of a US\$20 million letter of credit sublimit, US\$10 million swing line loan sublimit and a US\$30 million sublimit for foreign currency loans), with an option for

Epicor to increase the revolving loan commitments and/or the term loan commitments by an aggregate amount of up to US\$50 million with new or additional commitments subject only to the consent of the lender(s) providing the new or additional commitments and provided that no default or event of default exists at the time of any increase, for a total secured loan facility of up to US\$250 million. Funds available under the Credit Facility may be used by Epicor to finance its acquisition of NSB and to pay the fees and expenses incurred in connection with its acquisition of NSB and to provide ongoing working capital and for other general/corporate purposes of Epicor and its subsidiaries following the acquisition of NSB.

Interest under the Credit Facility is based, at the option of Epicor, on either (i) the base rate, which is defined as a fluctuating rate per annum equal to the higher of the average rate of the overnight federal funds and Administrative Agent's prime rate as announced from time to time, plus a margin equal to between 0.50% and 1.75%, depending on Epicor's senior secured leverage ratio as of the fiscal quarter most recently ended or (ii) a floating per annum rate (based upon one, two, three, six or nine-month interest periods) based on BBA LIBOR plus a margin equal to between 1.50% and 2.75%, depending on Epicor's senior secured leverage ratio as of the fiscal quarter most recently ended. A default interest rate shall apply on principal amounts not paid when due, and in certain circumstances on all obligations during an event of default under the Credit Facility, at a rate per annum equal to 2.0% above the applicable interest rate. Term loans will be repaid in quarterly installments, with (i) principal being amortized at a rate of 5% of the original principal amount of the term loans during the first year; (ii) 10% of the original principal amount of the term loans during the second year; (iii) 15% of the original principal amount of the term loans during the third year; (iv) 20% of the original principal amount of the term loans during the fourth year; and (v) 50% of the original principal amount of the term loans during the fifth year (the "**Maturity Date**"). Revolving loans may be borrowed, repaid and reborrowed until the Maturity Date. Swing line loans will be repaid on the earlier of the date ten business days after such loan is made and the Maturity Date. Term Loans are subject to mandatory prepayment under certain circumstances, including in connection with Epicor's receipt of proceeds from certain issuances of equity or debt, sales of assets and insurance and condemnation proceeds. The Credit Facility may be prepaid in whole or in part at any time without premium or penalty.

The Credit Facility is guaranteed by certain of Epicor's material domestic subsidiaries (each a "**Guarantor**" and collectively, the "**Guarantors**") and the obligations under the Credit Facility are secured by substantially all of Epicor's and each Guarantor's assets. The Credit Facility contains customary affirmative, negative and financial covenants, including, among other requirements, negative covenants that restrict Epicor's ability to create liens, make investments, incur indebtedness, merge or consolidate, dispose of assets, make distributions, enter into transactions with affiliates, enter into restrictive agreements, amend or modify terms of certain debt, enter into sale leasebacks, and financial covenants that establish applicable fixed charge coverage ratios and limit the maximum leverage ratios that Epicor can maintain at any one time.

The Credit Facility contains events of default, that include, among others, non-payment of principal, interest or fees, violation of covenants, inaccuracy of representations and warranties, cross-defaults to certain other indebtedness, bankruptcy and insolvency defaults, material judgments, ERISA defaults, events constituting a change of control and certain required cash payments. The occurrence of an event of default could result in an increased interest rate, the acceleration of Epicor's obligations under the Credit Facility and an obligation of Epicor or any Guarantor to repay the full amount of Epicor's borrowings under the Credit Facility.

- (vi) On 16 December 2007, Epicor Retail entered into an intercompany revolving loan agreement (the "**Intercompany Loan Agreement**") with Scala Business Solutions N.V., as lender, which provides for revolving loans of up to US\$400 million. Interest under the Intercompany Loan Agreement is based on LIBOR plus 200 basis points with the outstanding principal amount due (i) upon demand by lender at any time after the date six months after the date the announcement of the Transaction under Rule 2.5 of the City Code was issued, the date on which the Scheme proposal is rejected by either the shareholders of NSB or the Court or the date fourteen days after the Scheme becomes effective, or (ii) on 16 December 2017. The Intercompany Loan Agreement contains events of default, that include, among others, non-payment of principal, interest or fees, bankruptcy and insolvency defaults and cross-defaults to

the Bank of America Credit Agreement described at paragraph 5(a)(v) of Appendix IV of this document.

(b) *NSB*

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by NSB or its subsidiaries in the period commencing 13 December 2005 (being the date two years prior to the commencement of the Offer Period) and are or may be material:

(i) The VES Agreement dated 29 December 2000, pursuant to which, *inter alia*:

- (A) NSB issued the Voting Shares to 3068358 Canada Inc.;
- (B) NSB agreed to ensure that Exchangeco, a company incorporated under the Laws of New Brunswick in Canada, being an indirect subsidiary of NSB, can meet its obligations in respect of the Exchangeable Shares. So long as any Exchangeable Shares are outstanding, NSB cannot declare or pay any dividend on Ordinary Shares unless Exchangeco simultaneously declares or pays an equivalent dividend to holders of the Exchangeable Shares and NSB is required to make sufficient funds available to Exchangeco to enable it to pay an economically equivalent dividend on the Exchangeable Shares. The holders of the Exchangeable Shares have the right to require Exchangeco to redeem any or all of their Exchangeable Shares in certain circumstances. In addition, the VES Agreement contains a covenant on the part of NSB to the effect that if NSB issues Ordinary Shares or securities exchangeable for or convertible into or carrying right to acquire Ordinary Shares to the holders of Ordinary Shares or issues or distributes rights, options or warrants to the holders of Ordinary Shares, NSB will ensure that the economic equivalent, on a per share basis of such shares, rights, options or warrants shall be issued or distributed simultaneously to holders of the Exchangeable Shares. Furthermore, in the event of a restructuring of the share capital of NSB, NSB will ensure that an economically equivalent change shall be made to the Exchangeable Shares;
- (C) NSB must also ensure the availability of sufficient Ordinary Shares to satisfy the exchange rights of the holders of the Exchangeable Shares;
- (D) Upon the exercise of exchange rights attaching to the Exchangeable Shares (whether at the option of the holders of the Exchangeable Shares or upon some other exchange events), 513164 N.B. Inc., a company incorporated under the Laws of New Brunswick in Canada, being an indirect wholly owned subsidiary of NSB has the right, but not the obligation, to purchase the Exchangeable Shares in question for a purchase price payable in Ordinary Shares;
- (E) NSB must circulate to the holders of the Exchangeable Shares all materials, which are sent to holders of Ordinary Shares at the same time as such materials are first sent to the holders of Ordinary Shares.

The VES Agreement is governed by the laws of the Province of Quebec and the federal laws of Canada applicable therein.

(ii) The BT Agreement dated 5 January 2004, pursuant to which, *inter alia*:

- (A) NSB Retail Systems Inc and NSB Retail Solutions Limited appointed BT as their distributor and granted BT the perpetual, irrevocable right and licence to market, promote, demonstrate, supply, install, sub-license, support and maintain and otherwise commercially exploit certain software;
- (B) The appointment of BT for the purpose outlined above will be as:
 - “exclusive” distributor within the UK and Ireland and, in respect of the UK-based or Irish-based third parties, such other countries in the Europe, the Middle East and Africa in which such parties have branch offices and/or subsidiaries; and
 - “non-exclusive” distributor within the rest of Europe, the Middle East and Africa on terms to be agreed on a territory by territory basis (or, in the absence of such terms, on the terms of the BT Agreement insofar as they relate to such non-exclusive

territories, save that the royalty rate in respect of certain types of software is increased);

- (C) There is a general obligation on NSB Retail Systems Inc and NSB Retail Solutions Limited to continue developing market-leading software and to properly consider the needs of the exclusive territory granted to BT. In each calendar year, there is an obligation on NSB Retail Systems Inc and NSB Retail Solutions Limited to spend no less than 50 per cent. of the royalties in developing such software for the UK market place.
- (D) BT shall receive all payments of licence fees and support charges from the end-users. BT shall pay a share of royalties to NSB Retail Systems Inc and Retail Solutions Limited in respect of any software which it licenses.
- (E) BT shall also pay NSB Retail Systems Inc and NSB Retail Solutions Limited a share of the total annual maintenance and support fees in respect of any Software, which it supports.

(iii) Implementation Agreement

On 17 December 2007, Epicor and NSB entered into the Implementation Agreement to set out the terms on which they have agreed to co-operate with regard to the process of implementing the Transaction (including the Scheme). Each party has undertaken to the other that it will co-operate and take such steps as are necessary and reasonable to implement the Transaction as soon as reasonably practicable, including in relation to the preparation, publication and filing of documents required in connection therewith, and the convening of the Court Meeting and General Meeting.

NSB has agreed that this document shall incorporate a unanimous unqualified recommendation of the NSB Board to NSB Shareholders to vote in favour of the Scheme and the resolutions to be proposed at the General Meeting, except to the extent that the NSB Directors have determined that such recommendation should not be given or should be withdrawn or modified in order to comply with their fiduciary duties.

As an inducement for Epicor carrying out its due diligence in respect of the Transaction and devoting management time and resources in connection with the Transaction, NSB has agreed in the Implementation Agreement to pay to Epicor an inducement fee of £1,600,000 in aggregate (equal to approximately one per cent. of the value of NSB by reference to the price offered under the Proposals) (inclusive of value added tax, if any, except to the extent any such value added tax is recoverable by NSB) in the following circumstances:

- (A) the Scheme lapses or is withdrawn and a competing proposal that is announced (under Rule 2.5 of the City Code) prior to the date which is 3 months after the date in which the Scheme lapses or is withdrawn becomes unconditional or otherwise completes;
- (B) the NSB Directors withdraw or adversely modify their recommendation of the Transaction and the Scheme lapses or is withdrawn.

In the Implementation Agreement, NSB has also agreed with Epicor that if it receives an approach which the NSB Board determines in good faith constitutes a superior proposal, it will notify Epicor of the terms of the competing proposal and shall not withdraw or adversely modify its recommendation of the Proposals unless either (i) Epicor informs NSB that it is not willing to revise the Proposals such that they are no less in value than the competing proposal; (ii) Epicor does not, within 48 hours of being notified of the competing proposal, confirm that it is willing to revise the Proposals such that they are no less in value than the competing proposal; or (iii) Epicor, having confirmed within 48 hours of being notified of the competing proposal that it is willing to revise the Proposals such that they are no less in value than the competing proposal, fails within 96 hours of receipt of such notice to announce the revised Proposals. Epicor Retail has a right to enforce the provisions under the Implementation Agreement.

Subject to the Conditions being satisfied or waived, Epicor has agreed that it shall procure that Epicor Retail shall undertake to the Court that it will be bound by the terms of the Scheme and to execute all such documents and do such acts as may be necessary or desirable to be executed or done for the purpose of giving effect to the Scheme.

The Implementation Agreement also contains certain assurances and confirmations regarding the conduct of the business of the NSB Group pending completion of the Transaction.

The Implementation Agreement provides that Epicor may elect to implement the Transaction by way of a takeover offer in accordance with the City Code on substantially the same terms as set out in the announcement by the boards of Epicor and NSB of the Transaction or upon such other terms as in the reasonable opinion of the NSB Directors are no less advantageous to NSB Shareholders.

The Implementation Agreement also extends the duration of the non-solicitation agreement entered into between NSB and Epicor dated 13 November 2007 until the date on which Epicor notifies NSB that it no longer wishes to proceed with the Transaction or the Implementation Agreement is terminated in accordance with its terms. Under the terms of this non-solicitation agreement, NSB has agreed not to solicit any competing proposal, save to the extent required by the fiduciary or other duties owed by the NSB Directors to NSB or the NSB Shareholders. In addition NSB is obliged to notify Epicor in writing of any approach which may lead to a competing proposal.

The Implementation Agreement terminates (other than in relation to certain provisions including those relating to the inducement fee) on, inter alia, the NSB Directors withdrawing or adversely modifying their recommendation of the Transaction or if, following notification of a superior proposal, Epicor does not confirm within the periods referred to above that it is willing to revise the Proposals such that they are no less in value than the competing proposal, or does not announce such revised Proposals.

6. NSB Director Service Contracts

Executive Directors

- (a) The executive NSB Directors have entered into service agreements with NSB on the dates shown below, and their current annual salaries (which are subject to annual review) are as follows:

<u>Director</u>	<u>Date</u>	<u>Salary (per annum)</u>
David Henning	20 April 2007	US\$400,000
Stuart Roger Mitchell	5 February 2003	£250,000

- (b) David Henning

David Henning (Chief Executive Officer) has entered into a service agreement (of not fixed term) with NSB terminable on 12 months' notice either way (or pay in lieu at NSB's discretion), working principally for NSB's Montreal office with 25 days' annual holiday. The service agreement provides for restrictive covenants that will remain in force for 12 months after termination preventing competition with NSB, solicitation of or dealing with its customers and solicitation of its key staff. The usual protections regarding confidentiality, integrity, share dealing and intellectual property also appear. In addition to his salary, his annual remuneration comprises eligibility for a discretionary bonus (to be determined by the remuneration committee), a leased car while he is in Montreal, an housing allowance of C\$4,000 per month, a car allowance of US\$20,000 per annum, a wellness subsidy and permanent health insurance cover.

- (c) Stuart Mitchell

Stuart Mitchell (Executive Finance Director) has entered into a service agreement (of not fixed term) with NSB terminable on 12 months' notice either way (or pay in lieu at NSB's discretion). The service agreement provides for restrictive covenants that will remain in force for 6 months after termination preventing competition with NSB, solicitation of or dealing with its customers and solicitation of its key staff. The usual protections regarding confidentiality, integrity, share dealing and intellectual property also appear. In addition to his salary, his annual remuneration comprises eligibility for a discretionary bonus (to be determined by the remuneration committee), a car allowance of £9,900 per annum, personal pension contributions equal to 12.5% of salary, four times salary death in service cover, and permanent health insurance cover.

Non-Executive Directors

- (d) The NSB non-executive Directors have entered into letters of appointment with NSB and their current annual fees are as follows:

<u>Director</u>	<u>Date</u>	<u>Salary (per annum)</u>
Angus Monro	3 September 2004	£75,000
David Sinclair Ferguson	8 March 2007	£50,000
Richard Abraham	3 September 2004	£30,000
Martin Anthony Chatwin	3 September 2004	£30,000
Paul Allen	1 November 2007	£30,000

- (e) Angus Monro's current appointment will terminate on 7 October 2008, unless terminated prior to this date by either party upon 3 months' written notice. Angus Monro is entitled to be reimbursed for all reasonable and properly documented expenses incurred whilst performing his duties. Angus Monro's remuneration was raised from £35,000 per annum to its current level of £75,000 per annum on his appointment as Chairman of NSB on 6 September 2007.
- (f) David Ferguson's current appointment is for a 3-year term that will expire on 7 March 2010, unless terminated prior to this date by either party upon 3 months' written notice. David Ferguson is entitled to be reimbursed for all reasonable and properly documented expenses incurred whilst performing his duties. David Ferguson's remuneration was raised from £35,000 per annum to its current level of £50,000 per annum on his appointment as Vice-Chairman effective from 6 September 2007.
- (g) Richard Abraham's current appointment is on a rolling basis, terminable by either party upon 3 months' written notice. Richard Abraham is entitled to be reimbursed for all reasonable and properly documented expenses incurred whilst performing his duties. Richard Abraham's remuneration was reduced from £75,000 per annum to its current level of £30,000 per annum on stepping down as Chairman of NSB on 6 September 2007. His appointment as a non-executive Director of NSB which otherwise would have terminated on 31 December 2007 was extended to 31 March 2008 on 4 December 2007.
- (h) Martin Chatwin's current appointment will terminate on 15 September 2008, unless terminated prior to this date by either party upon 3 months' written notice. Martin Chatwin is entitled to be reimbursed for all reasonable and properly documented expenses incurred whilst performing his duties.
- (i) Paul Allen's current appointment is for a 3-year term that will expire on 30 October 2010, unless terminated prior to this date by either party upon 3 months' written notice. Paul Allen is entitled to be reimbursed for all reasonable and properly documented expenses incurred whilst performing his duties.

Other than as disclosed above, no service contracts or letters of appointment between any NSB Director and NSB or any of its subsidiaries has been entered into or amended in the six month period ending on the date of this document.

7. Irrevocable Undertakings

Scheme

Epicor has received irrevocable undertakings to vote (or procure the vote) in favour of the Scheme at the Court Meeting or, (other than in respect of the undertaking given by Aberforth Partners LLP, in the event that the Transaction is implemented by way of a takeover offer, to accept such offer) in respect of 118,888,089 Ordinary Shares in aggregate, representing approximately 31.21 per cent. of the existing issued ordinary share capital of NSB entitled to vote at the Court Meeting.

Special Resolution

Epicor has also received irrevocable undertakings to vote in favour of the Special Resolution to be proposed at the General Meeting in respect of a total of 118,888,089 Ordinary Shares, and 34,508,249

Voting Shares representing in aggregate approximately 36.93 per cent. of the existing issued share capital of NSB entitled to vote at the General Meeting.

The irrevocable undertakings referred to above comprise the following:

- (a) each of the NSB Directors who hold Ordinary Shares, being Angus Monro, Stuart Mitchell, David Ferguson, Martin Chatwin and Richard Abraham has irrevocably undertaken to vote or to take all reasonable steps to procure that the relevant registered shareholder vote in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the General Meeting in respect of the Ordinary Shares beneficially owned by such NSB Director or their connected persons, as noted below, representing, in aggregate, approximately 0.63 per cent. of the existing issued ordinary share capital of NSB entitled to vote at the Court Meeting and approximately 0.58 per cent. of the existing issued share capital of NSB entitled to vote at the General Meeting:

Angus Monro	368,558
Stuart Mitchell	304,652
David Ferguson	50,000
Martin Chatwin	1,045,530
Richard Abraham	633,217

These undertakings will continue to be binding if any higher competing offer is made for NSB.

- (b) Aberforth Partners LLP (“Aberforth”) has irrevocably undertaken to vote in favour of the Scheme at the Court Meeting and in favour of the Special Resolution to be proposed at the General Meeting in respect of 61,209,900 Ordinary Shares, representing approximately 16.07 per cent. of the existing issued ordinary share capital of NSB entitled to vote at the Court Meeting and approximately 14.73 per cent. of the existing issued share capital of NSB entitled to vote at the General Meeting;
- (c) Hermes Focus Asset Management Limited (“Hermes”) has irrevocably undertaken to vote in favour of the Scheme at the Court Meeting and in favour of the Special Resolution to be proposed at the General Meeting in respect of 43,798,297 Ordinary Shares, representing approximately 11.50 per cent. of the existing issued ordinary share capital of NSB entitled to vote at the Court Meeting and approximately 10.54 per cent. of the existing issued share capital of NSB entitled to vote at the General Meeting;
- (d) Gartmore Investment Limited (“Gartmore”) has irrevocably undertaken to vote in favour of the Scheme at the Court Meeting and in favour of the Special Resolution to be proposed at the General Meeting in respect of 11,477,935 Ordinary Shares, representing approximately 3.01 per cent. of the existing issued ordinary share capital of NSB entitled to vote at the Court Meeting and approximately 2.76 per cent. of the existing issued share capital of NSB entitled to vote at the General Meeting;
- (e) 3068358 Canada Inc. (i) has given its written consent to the Scheme (ii) in its capacity as holder of 34,508,249 Voting Shares (being all of the issued Voting Shares) representing approximately 8.31 per cent. of the existing issued voting share capital of NSB entitled to vote at the General Meeting, has irrevocably undertaken to vote in favour of the Special Resolution to be proposed at the General Meeting, and (iii) in its capacity as holder of 34,508,249 Exchangeable Shares has irrevocably undertaken to cause the retraction or exchange of its 34,508,249 Exchangeable Shares into 34,508,249 Ordinary Shares immediately following the sanction of the Scheme by the Court, subject to all other conditions to the Scheme having been met or waived. NSB, Exchangeco and 513164 N.B. Inc. have agreed that such retraction shall be effected by means of 513164 N.B. Inc. exercising its right to purchase those Exchangeable Shares, as set out in the VES Agreement described in paragraph 5(b)(i) above.

The undertakings from Aberforth, Hermes, Gartmore and 3068358 Canada Inc. will cease to be binding if a higher competing offer is made representing an improvement of at least 10 per cent. above 38.0 pence per Ordinary Share or if the Scheme is withdrawn or lapses.

In addition all of the undertakings will cease to be binding if the Scheme is withdrawn or lapses, unless (other than in respect of the undertaking from Aberforth) Epicor Retail announces within ten days thereafter that the Transaction is to be implemented by way of a takeover offer in accordance with the City Code.

8. Bases of calculations and sources of information

- (a) The value attributed to the fully diluted ordinary share capital of NSB is based upon 380,918,199 Ordinary Shares in issue, 34,508,249 Exchangeable Shares in issue (each of which are exchangeable at the option of the holder or on certain events into Ordinary Shares on a one-for-one basis), and no more than 5,953,587 options outstanding over Ordinary Shares in respect of which the exercise price is less than 38 pence per Ordinary Share to be issued, in each case as at 20 December 2007 (being the latest practicable date prior to the posting of this document).
- (b) The issued ordinary share capital of NSB entitled to vote at the Court Meeting is based upon 380,918,199 Ordinary Shares in issue as at 20 December 2007 (being the latest practicable date prior to the posting of this document).
- (c) The issued share capital of NSB is based upon 380,918,199 Ordinary Shares in issue as at the date of this Announcement and 34,508,249 Voting Shares in issue as at 20 December 2007 (being the latest practicable date prior to the posting of this document). Each Ordinary Share and Voting Share holds one vote.
- (d) Unless otherwise stated, all prices for NSB Shares have been derived from the Daily Official List and represent the Closing Prices on the relevant date.
- (e) Unless otherwise stated, the market capitalisation of Epicor is based upon 58,591,535 shares in issue and a closing price of US\$11.73 per share of Epicor common stock as at 13 December 2007.
- (f) The closing price per common stock of Epicor as at 13 December 2007 is derived from the NASDAQ.

9. Financing arrangements and cash confirmation

- (a) The consideration payable under the Transaction is being funded from Epicor's existing cash resources and from a new senior secured facility arranged by Banc of America Securities LLC as sole lead arranger and book manager with Bank of America, N.A as administrative agent and KeyBank National Association, as syndication agent, further details of which are set out in paragraph 5(a)(v) above.
- (b) The maximum amount of cash consideration payable under the Transaction on its current terms, based on the fully diluted share capital, is approximately £160.1 million.
- (c) UBS, financial adviser to Epicor, is satisfied that the necessary financial resources are available to Epicor Retail to enable it to satisfy in full the consideration payable to NSB Shareholders under the terms of the Transaction.

10. General

- (a) Save as disclosed in this document, Epicor Retail is not party to any agreement or arrangement which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Acquisition.
- (b) Save as disclosed in this document, the NSB Directors do not know of any material change in the financial or trading position of the NSB since 31 December 2006, being the date to which the Annual Report and Accounts of NSB were prepared.
- (c) UBS has given and not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which they appear.
- (d) Close Brothers has given and not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which they appear.
- (e) Save as disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between Epicor Retail or any person acting or presumed to be acting in concert with it and any of the NSB Directors or recent directors, NSB Shareholders or recent NSB Shareholders having any connection with, or dependence upon, the Transaction.
- (f) Save as disclosed in this document, there is no agreement, arrangement or understanding whereby the beneficial ownership of any of the Ordinary Shares to be acquired by Epicor Retail pursuant to

the Transaction will be transferred to any other person, save that Epicor Retail reserves the right to transfer any such Ordinary Shares to any member of the Epicor Group.

- (g) Save as disclosed in this document, the Epicor Directors are not aware of any material change in the financial or trading position of Epicor Retail since 31 December 2006, the date to which the last audited accounts for Epicor Retail were published.

11. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of CMS Cameron McKenna LLP at Mitre House, 160 Aldersgate Street, London EC1A 4DD, until the end of the Offer Period:

- (a) the current memorandum and articles of association of NSB;
- (b) the proposed memorandum and articles of association of NSB assuming the Special Resolution is passed;
- (c) the memorandum and articles of association of Epicor and Epicor Retail;
- (d) the published audited consolidated accounts of NSB for each of the three financial years ended 31 December 2005 and 31 December 2006;
- (e) the published audited consolidated accounts of Epicor for each of the financial years ended 31 December 2005 and 31 December 2006;
- (f) the published unaudited quarterly accounts of Epicor for the quarters ended 31 March 2007, 30 June 2007 and 30 September 2007;
- (g) the service contracts of the NSB Directors referred to in paragraph 6 of this Appendix IV;
- (h) the consent letters referred to in paragraph 10 of this Appendix IV;
- (i) the material contracts referred to in paragraph 5 of this Appendix IV;
- (j) the irrevocable undertakings referred to in paragraph 7 of this Appendix IV;
- (k) the financing documents referred to in paragraph 9 of this Appendix IV;
- (l) the rules of the NSB Incentive Plans referred to in paragraph 10 of Part II of this document; and
- (m) this document and the Forms of Proxy.

21 December 2007

APPENDIX V

DEFINITIONS

The following definitions apply throughout this document (with the exception of Part III) unless the context requires otherwise:

2006 Act	the Companies Act 2006
AIM	the AIM market operated by the London Stock Exchange
BT	British Telecommunications PLC
Business Day	any day on which the London Stock Exchange is open for the transaction of business
Canada	Canada, its provinces and territories and all areas under its jurisdiction and political sub-divisions thereof
Canadian Dollar or C\$	Canadian Dollar (and references to “cent” shall be construed accordingly)
Capital Reduction	the proposed reduction of capital of the Company provided for by the Scheme
Capita Registrars	a trading name of Capita Registrars Limited
certificated or in certificated form	a share or other security which is not in uncertificated form (that is, not in CREST)
City Code	the City Code on Takeovers and Mergers
Close Brothers	Close Brothers Corporate Finance Limited
Closing Price	the closing middle market quotation of an Ordinary Share as derived from the Daily Official List
Companies Act	the Companies Act 1985 as amended, modified, consolidated, re-enacted or replaced from time to time
Conditions	the conditions to the implementation of the Proposals (including the Scheme) and the Transaction which are set out in Appendix I to this document
connected persons	has the meaning given to it in sections 252 to 255 of the 2006 Act
Court	the High Court of Justice in England and Wales
Court Hearings	the First Court Hearing and the Second Court Hearing
Court Meeting	the meeting of the holders of Scheme Shares convened by order of the Court pursuant to section 425 of the Companies Act to consider and, if thought fit, approve (with or without modification) the Scheme, notice of which is set out in Appendix VI to this document, and any adjournment thereof
Court Orders	the order of the Court sanctioning the Scheme under section 425 of the Companies Act and the order of the Court confirming the Capital Reduction under section 137 of the Companies Act provided for by the Scheme or, where the context may require, either of them
CREST	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear UK & Ireland in accordance with the Regulations
CREST Manual	The CREST Manual issued by Euroclear UK & Ireland dated May 1996
CRM	customer relationship management
Daily Official List	the Daily Official List of the London Stock Exchange

dealing day	a day on which dealings in domestic securities may take place on, and with the authority of the London Stock Exchange
Effective Date	the date on which an office copy of the order of the Court confirming the Capital Reduction provided for by the Scheme has been delivered to the Registrar of Companies for registration and is registered
Epicor	Epicor Software Corporation, a Delaware company, with its principal offices at 18200 Von Karman Avenue, Suite 1000, Irvine, California 92612
Epicor Directors or Epicor Board	the Epicor Directors at the date of this document
Epicor Group	Epicor and its subsidiaries and subsidiary undertakings
Epicor Retail	Epicor Retail Solutions, Inc.
Epicor Retail Directors	the directors of Epicor Retail at the date of this document
ERP	enterprise resource planning
Euroclear UK & Ireland	Euroclear UK & Ireland Limited
Exchangeco	513165 N.B. Inc
Exchangeable Shares	exchangeable shares in the capital of 513165 N.B. Inc
Excluded Shares	any Ordinary Shares of which Epicor Retail is the holder or in which Epicor Retail is beneficially interested
Explanatory Statement	the explanatory statement prepared in compliance with section 426 of the Companies Act and contained in Part II of this document
Financial Services Authority	the Financial Services Authority of the United Kingdom
First Court Hearing	the hearing by the Court to sanction the Scheme
Form(s) of Proxy	either or both of the blue forms of proxy for use at the Court Meeting and the white form of proxy for use at the General Meeting which accompany this document, as the context requires
General Meeting	the general meeting of NSB Shareholders, notice of which is set out in Appendix VII to this document, and any adjournment thereof
holder	a registered holder
Implementation Agreement	the implementation agreement dated 17 December 2007 between NSB and Epicor Retail pursuant to which the parties have agreed to implement the Scheme and the Proposals
Listing Rules	the Listing Rules of the UK Listing Authority, as amended
London Stock Exchange	London Stock Exchange plc
Meetings	the Court Meeting and the General Meeting
NASDAQ	the National Association of Securities Dealers Automated Quotations
New Ordinary Shares	the new ordinary shares of 2 pence each in the capital of NSB to be issued in accordance with clause 1.2.2 of the Scheme
NSB or Company	NSB Retail Systems PLC registered in England and Wales with company number 03015908 with its registered office at Parkfield Business Centre, Parkfield House, Park Street, Stafford, Staffordshire ST17 4AL, United Kingdom
NSB Articles	the articles of association of NSB from time to time
NSB Directors or NSB Board	the NSB Directors at the date of this document

NSB Group	NSB and its subsidiaries and subsidiary undertakings
NSB Shareholders	holders of NSB Shares
NSB Share Incentive Schemes	the NSB Long Term Incentive Stock Option Plan for former Employees of STS Systems, the NSB Long-Term Incentive Plan, the NSB 1998 Share Option Scheme, the NSB Savings-Related Share Option Scheme, the NSB U.S. Sharesave Plan and the NSB Canadian Sharesave Plan
NSB Shares	the Ordinary Shares and the Voting Shares
Offer Period	the period commencing on 13 December 2007
Official List	the official list of the UK Listing Authority
Ordinary Shares	ordinary shares of 2 pence each in the capital of NSB
Ordinary Shareholders	holders of Ordinary Shares
Overseas Shareholders	NSB Shareholders not resident in, citizens of, jurisdiction the United Kingdom
Panel	the Panel on Takeovers and Mergers
POS	point of sale
Pounds or £ or £ sterling	UK pounds sterling (and “pence” shall be construed accordingly)
Proposals	the Scheme and the other matters to be considered at the Meetings
Registrar of Companies	the Registrar of Companies in England and Wales
Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
Regulatory Information Service or RIS	as defined in the Listing Rules of the UKLA
Scheme or Scheme of Arrangement	the scheme of arrangement proposed to be made under section 425 of the Companies Act between NSB and the holders of Scheme Shares, set out in Part III of this document, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by NSB and Epicor Retail
Scheme Record Time	5.00 p.m. on the Business Day immediately preceding the Second Court Hearing
Scheme Shareholders	registered holders of Scheme Shares
Scheme Shares	<p>(i) the NSB Shares in issue at the date of this document;</p> <p>(ii) any NSB Shares issued after the date of this document and before the Voting Record Time; and</p> <p>(iii) any NSB Shares issued at or after the Voting Record Time and before the Scheme Record Time in respect of which the original or any subsequent holders thereof are, or shall have agreed in writing to be, bound by the Scheme,</p> <p>in each case other than the Excluded Shares</p>
Second Court Hearing	the Court hearing to confirm the Capital Reduction
Securities Act	the United States Securities Act of 1933 (as amended)
Special Resolution	the special resolution to be proposed at the General Meeting in connection with, <i>inter alia</i> , the approval of the Scheme and the sanctioning of the Capital Reduction
subsidiary and subsidiary undertaking	have the meaning given to them in the Companies Act

takeover offer	as defined in section 974 of the 2006 Act
TCGA	the Taxation of Chargeable Gains Act 1992
Transaction	the recommended acquisition of NSB by Epicor Retail as described in this document
UBS or UBS Investment Bank	UBS Limited, financial adviser to Epicor
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
UKLA or UK Listing Authority	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended)
uncertificated or in uncertificated form	recorded on the relevant register as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
US or United States	the United States of America, its territories and possessions, any state of the United States of America, any other areas subject to its jurisdiction and the District of Columbia
US GAAP	U.S. Generally Accepted Accounting Principles
US Dollar or US\$	United States Dollar (and references to “cent” shall be construed accordingly)
US Person	a US person as defined in Regulation S under the Securities Act
Voting Record Time	5.00 p.m. on the Business Day which is two days before the date of the Court Meeting or, if the Court Meeting is adjourned, 5.00 p.m. on the day which is two days before the date fixed for the adjourned meeting
Voting Shareholders	holders of Voting Shares
Voting Shares	the special voting shares of 0.01 pence each in the Company
Wider Epicor Group	the Epicor Group and associated undertakings and any other body corporate, partnership, joint venture or persons in which the Epicor Group and such undertakings (aggregating their interests) have an interest of more than 20 per cent. of the voting or equity capital or the equivalent
Wider NSB Group	the NSB Group and associated undertakings and any other body corporate, partnership, joint venture or persons in which the NSB Group and such undertakings (aggregating their interests) have an interest of more than 20 per cent. of the voting or equity capital or the equivalent

All references to time in this document are to London time.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

APPENDIX VI
NOTICE OF COURT MEETING

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
REGISTRAR DERRETT

No. 9443 of 2007

IN THE MATTER OF NSB RETAIL SYSTEMS PLC

—and—

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that by an Order dated 20 December 2007 made in the above matters, the Court has directed a meeting to be convened of the Scheme Shareholders (as defined in the scheme of arrangement referred to below), for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement pursuant to section 425 of the Companies Act 1985 (the “**Scheme of Arrangement**”) proposed to be made between the Company and the holders of the Scheme Shares (each as defined in the Scheme of Arrangement) and that such meeting will be held at the offices of CMS Cameron McKenna LLP, Mitre House, 160 Aldersgate Street, London EC1A 4DD, United Kingdom on 16 January 2008, at 10.00 a.m. at which place and time all holders of the Scheme Shares are requested to attend.

A copy of the Scheme of Arrangement and a copy of the explanatory statement required to be furnished pursuant to section 426 of the Companies Act 1985 are incorporated in the document of which this notice forms part.

Scheme Shareholders (as defined in the Scheme of Arrangement) entitled to attend and vote at the meeting may vote in person at the Court Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their place. A blue form of proxy for use at the Court Meeting is enclosed with this notice. Completion and return of this form of proxy will not prevent a Scheme Shareholder from attending and voting at the Court Meeting or any adjournment thereof in person if he wishes to do so.

In the case of joint holders, any one such joint holder may tender a vote, whether in person or by proxy, at the Court Meeting; however, the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company.

It is requested that forms appointing proxies be lodged with the Company’s registrars, Capita Registrars, by returning them by post (using the business paid service if posted from within the UK) or, during normal business hours only, by hand to Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR not less than 48 hours before the time appointed for the Court Meeting, but if forms are not so lodged they may be handed to the Chairman at the meeting before the taking of the poll.

Entitlement to attend and vote at the Court Meeting, or any adjournment thereof, and the number of votes which may be cast thereat will be determined by reference to the register of members of the Company at 5.00 p.m. on the day which is two days before the date of the Court Meeting or adjourned meeting (as the case may be). In each case, changes to the register of members of the Company after such time will be disregarded.

By the said Order, the Court has appointed Angus Munro or, failing him, Richard Abraham or, failing him Martin Chatwin to act as Chairman of the Court Meeting and has directed the Chairman to report the result thereof to the Court.

The Scheme of Arrangement will be subject to the subsequent sanction of the Court.

Dated 21 December 2007

CMS Cameron McKenna LLP
160 Aldersgate Street
London
EC1A 4DD

Solicitors for the Company

APPENDIX VII
NOTICE OF GENERAL MEETING
NSB RETAIL SYSTEMS PLC

(Registered in England and Wales No. 03015908)

NOTICE IS HEREBY GIVEN that a GENERAL MEETING of the Company will be held at the offices of CMS Cameron McKenna LLP, Mitre House, 160 Aldersgate Street, London EC1A 4DD, United Kingdom on 16 January 2008 at 10.10 a.m. (or as soon thereafter as the Court Meeting (as defined in the document of which this notice forms part) shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a special resolution:

SPECIAL RESOLUTION

THAT:

for the purpose of giving effect to the scheme of arrangement dated 21 December 2007 between the Company and the holders of its Scheme Shares (each as defined in the said scheme), a print of which has been produced to this meeting and for the purposes of identification signed by the Chairman thereof in its original form or subject to such modification, addition or condition approved or imposed by the Court (the “**Scheme**”):

- (1) the Scheme be approved in its original form or subject to such modification, addition or condition as may be agreed between the Company and Epicor Retail Solutions, Inc (the “**Purchaser**”) and the directors of the Company be authorised to take all such action as they may consider necessary or appropriate for carrying the Scheme into effect;
- (2) the share capital of the Company be reduced by cancelling and extinguishing all of the existing Scheme Shares (as defined in the Scheme);
- (3) forthwith and contingently upon the reduction of share capital referred to in paragraph (2) above taking effect:
 - (a) the share capital of the Company be increased to its former amount by the creation of such number of new ordinary shares of 2 pence each as shall be equal to the aggregate number of Scheme Shares cancelled pursuant to paragraph (2) above; and
 - (b) the reserve arising in the books of account of the Company as a result of the reduction of share capital referred to in paragraph (2) above be applied in paying up in full at par all of the new ordinary shares created pursuant to paragraph (3)(a) above, which shall be allotted and issued, credited as fully paid, to the Purchaser and/or its nominee(s);
- (4) for the purposes of section 80 of the Companies Act 1985 (and so that expressions used in this resolution shall bear the same meaning as in the said section 80), the directors be and they are hereby generally and unconditionally authorised pursuant to Article 7.1 of the Company’s articles of association to exercise all the powers of the Company to allot relevant securities in connection with the Scheme provided always that: (1) the maximum aggregate nominal amount of relevant securities that may be allotted under this authority shall be the aggregate nominal amount of the said new ordinary shares created pursuant to sub-paragraph (3)(a) of this resolution; (2) this authority shall expire (unless previously revoked, varied or renewed) on the date falling 15 months after the passing of this resolution; and (3) this authority shall be in addition and without prejudice to any other authority under the said Article 7.1 previously granted and in force on the date on which this resolution is passed; and
- (5) with effect from the passing of this resolution, the articles of association of the Company be amended by the adoption and inclusion of the following new Article 7.3:

“**Scheme of Arrangement**

- (A) In this Article 7.3, the “**Scheme**” means the scheme of arrangement dated 21 December 2007, between the Company and the holders of its Scheme Shares, (each as defined in the Scheme) under section 425 of the Companies Act 1985 in its original form or with or subject to any

modification, addition or condition approved or imposed by the Court and (save as defined in this Article) expressions defined in the Scheme shall have the same meanings in this Article.

- (B) Notwithstanding any other provision of these Articles, if the Company issues any ordinary shares (other than to Epicor Retail Solutions, Inc (the “**Purchaser**”) or its nominee(s)) after the adoption of this Article and before the Scheme Record Time (as defined in the Scheme), such shares shall be issued subject to the terms of the Scheme and the holders of such shares shall be bound by the Scheme.
- (C) Subject to the Scheme becoming effective, if any ordinary shares are allotted and issued or transferred to any person (a “**New Member**”) (other than under the Scheme or to the Purchaser or its nominee(s)) on or after the Scheme Record Time (as defined in the Scheme) (the “**Transfer Shares**”), they will be immediately transferred to the Purchaser (or as it may direct) in consideration for and conditional on the payment to the New Member of such cash consideration as would have been payable under the Scheme had such Transfer Shares been Scheme Shares.
- (D) On any reorganisation of, or material alteration to, the share capital of the Company (including, without limitation, any subdivision and/or consolidation) effected after the Scheme Record Time but before the Scheme becomes effective, the value of the cash payment per share to be paid under paragraph (C) of this Article shall be adjusted by the Directors in such manner as the auditors of the Company may determine to be appropriate to reflect such reorganisation or alteration. References in this Article to “**ordinary shares**” shall, following such adjustment, be construed accordingly.
- (E) To give effect to any transfer required by paragraph (C) above, the Company may appoint any person as attorney for the New Member to transfer the Transfer Shares to the Purchaser and/or its nominee(s) and do all such other things and execute and deliver all such documents as may in the opinion of the attorney be necessary or desirable to vest the Transfer Shares in the Purchaser or its nominee(s) and pending such vesting to exercise all such rights attaching to the Transfer Shares as the Purchaser may direct. If an attorney is so appointed, the New Member shall not thereafter (except to the extent that the attorney fails to act in accordance with the directions of the Purchaser) be entitled to exercise any rights attaching to the Transfer Shares unless so agreed by the Purchaser. The attorney shall be empowered to execute and deliver as transferor a form of transfer or instructions of transfer on behalf of the New Member (or any subsequent holder) in favour of the Purchaser and the Company may give a good receipt for the purchase price of the Transfer Shares and may register the Purchaser as holder thereof and issue to it certificates for the same. The Company shall not be obliged to issue a certificate to the New Member for the Transfer Shares. The Purchaser shall send a cheque drawn on a UK clearing bank in favour of the New Member (or any subsequent holder) for the purchase price of such Transfer Shares within five business days of the time on which the Transfer Shares are issued to the New Member.”.

By order of the Board

Geoffrey Bolt
Company Secretary

21 December 2007
Parkfield Business Centre,
Parkfield House,
Park Street,
Stafford,
Staffordshire ST17 4AL

Notes:

- (1) A member of the Company entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him or her. A proxy need not be a member of the Company.
- (2) A white form of proxy is enclosed with this notice. Instructions for use are shown on the form. Lodging a white form of proxy will not prevent the member from attending and voting in person.

- (3) To be valid, the white form of proxy, together with any power of attorney or other authority under which it is signed, or a duly certified copy thereof, must be received at the offices of Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR, not later than 48 hours before the time of the meeting or, as the case may be, the adjourned meeting. Completion and return of a proxy form will not prevent a member from attending and voting at the General Meeting, or any adjournment thereof, in person if he wishes to do so.
- (4) The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that entitlement to attend and vote at the General Meeting or any adjournment thereof, and the number of votes which may be cast thereat, will be determined by reference to the register of members of the Company not less than 48 hours before the time of such meeting or adjourned meeting. Changes to the register of members after 5.00 p.m. on 14 January 2008 or, if the General Meeting is adjourned, after 5.00 p.m. on the day prior to the day immediately before the day fixed for the adjourned meeting, will be disregarded in determining the rights of any person to attend or vote at the General Meeting.
- (5) Copies of the Company's existing articles of association and copies of the new articles of association as amended pursuant to the special resolution set out in the notice of meeting are available for inspection at the offices of CMS Cameron McKenna LLP, Mitre House, 160 Aldersgate Street, London EC1A 4DD, United Kingdom and at the Company's registered office Parkfield Business Centre, Parkfield House, Park Street, Stafford, Staffordshire ST17 4AL, United Kingdom, until opening of business on the day on which the meeting is held and will also be available for inspection at the place of the General Meeting for at least 15 minutes prior to and during the General Meeting.

